

100

Soviet Aide Cites 'Correctness' of Hungarian Policies

BUDAPEST — Grigori V. Romanov, a member of the Soviet Politburo, acknowledged Tuesday the "correctness" of Hungarian policies and indicated that the Kremlin sought some economic reforms similar to those of Moscow's most liberal European ally.

Mr. Romanov, addressing Hungary's 13th Communist Party Congress, repeatedly emphasized the economic unity of the Soviet Union and its allies. But he spoke favorably of Hungarian developments that have made this country a forerunner of economic change in the Soviet bloc.

"Hungary has built a new world in close unity with the Soviet Union," he said. "All that has been accomplished proves the correctness of our chosen road."

The Soviet leader, Mikhail S. Gorbachev, reportedly favors cautious reforms of the Soviet economy. Mr. Romanov's comments were seen as a message to Mr. Gorbachev's image as an economic pragmatist.

Speaking of Soviet economic "tasks ahead," Mr. Romanov said that emphasis must be given to:

- Further modernization of the economic mechanism;
- The broadening of the autonomy and responsibility of companies;
- The increasingly broad participation of workers in the management of production and the more consistent application of the principles of remuneration according to performance.

In Hungary, state-run industries have a great degree of autonomy and increasingly operate on profitability. There are also growing attempts to tie wages to performance.

Several Hungarian analysts pointed to the similarity of Mr. Romanov's remarks and actual policies here. One of them said that Mr. Romanov's comments amounted to a "ringing endorsement" of Hungarian economic reforms.

Informed Hungarian sources also attached importance to Mr. Romanov's comments on relations among Soviet bloc Communist parties.

"There is no room for the imposition of one's will on the other, for superiority and inferiority," he said.

Warning on Ties to West

Mr. Romanov warned Moscow's allies that their links with the West must be limited, Reuters reported from Budapest.

In his speech, he said that trade with the West must not allow what he called imperialist forces to gain political leverage over Communist states whose interests were best served by cooperating with each other.

"The national interests of Socialist countries can be implemented in no other way than by strengthening the whole community," he said.

UN Agency Urges Staff to Quit Lebanon

VIENNA — The UN agency for Palestinian refugees said Tuesday that it is telling its expatriate staff in Lebanon to leave the country for their own safety following a number of kidnappings.

A spokesman for the UN Relief and Works Agency, or UNRWA, said in Vienna that five international staff members were pulled out in the past few days, leaving eight behind.

Those remaining, including the director for Lebanon, John DeFrate, a Briton, were also being encouraged to leave in light of Monday's kidnapping near Beirut of Alpo Collett, a British journalist working for the agency. A French official, Gilles Sydney Peyrolles, was seized Monday in Tripoli.

UNRWA provides relief, education and health services for two million Palestinian refugees in the Middle East. It employs a staff of 2,100 in Lebanon, of which 99 percent are local.

Mr. Collett, 63, an UNRWA information consultant, was taken from his car while going from Sidon to Beirut.

The staff of the Save the Children Fund, working with UNRWA in Lebanon, also left recently for safety reasons.

Militia Buffer Zone

The military command has approved a plan to separate militiamen who have battled across the boundary separating Christian and Moslem sectors of Beirut in the worst fighting in eight months, Beirut radio said Tuesday according to The Associated Press.

Beirut radio said the new security plan involves the creation of a militia-free buffer zone along the Green Line that separates Beirut into a Christian eastern sector and a mostly Moslem western sector.

A mutiny by the main Christian militia of President Amin Gemayel's Phalangist Party has prompted the fighting in Sidon and Beirut. The Lebanese Forces militia opposes what it calls Mr. Gemayel's Syrian-oriented policies.

Army units that include both Moslems and Christians will be deployed in the separation zone to supervise the dismantling of the bunkers and barricades that recently reappeared near the Green Line, the radio said.

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Andrei A. Gromyko, left, with Mikhail S. Gorbachev.

Elite Units Allowed on Both Sides

(Continued from Page 1)

by the four powers despite the creation since the war of two sovereign German states. The governments in Bonn and East Berlin have no official ties with the four-power missions, which are accredited only to each other.

The U.S.-Soviet accord, signed in 1947, and others signed by the Soviet Union with Britain and France, gives each side an outpost and travel rights in the other side's occupation zones in Germany and the right to accredit 14 officers and enlisted men to their missions.

The three Western missions are in Potsdam, in East Germany, a few miles southwest of Berlin. The Russians have missions in Frankfurt, Baden-Baden and in the north.

The U.S. mission maintains a white stucco villa in Potsdam, although daily patrols usually originate from West Berlin. East German border guards allow the American liaison officers free access between East and West Berlin across the Glienicke Bridge.

The antiquated span, where Francis Gary Powers, the famed pilot of a downed U-2 reconnaissance plane, was traded in 1962 for the Soviet spy Rudolf Abel, is kept free of all other traffic.

British, French and American liaison officers generally conduct daily patrols, driving all over East Germany in marked military jeeps seeking to gain insights into the nature and location of troops, missiles and armor. In West Germany territory, their Soviet counterparts are permitted to do the same. Only designated military zones are considered off-limits to the roving officers.

The reconnaissance sorties, carried out by two- to four-man teams, are closely monitored by Soviet Bloc authorities to thwart snooping in restricted military areas. In the past, East German trucks have been known to bump or ram Western military jeeps or fire warning shots toward them if they came too close to sensitive installations.

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Soviet Statement Says U.S. Caused Shooting

(Continued from Page 1)

and his driver, Sergeant Jessie G. Schatz, were on a Soviet military installation near Ludwigshafen despite "clearly visible warning signs" that access was prohibited. Major Nicholson was described as "wearing camouflage gear" when he approached a storage facility, opened a window and began taking photographs.

The Soviet envoy, according to the account, demanded in Russian and German that the intruder stop. "When the latter failed to comply and tried to flee, the sentry fired a warning shot in the air." Since the intruder failed to obey, the sentry shot and killed him.

Major Nicholson's action, the statement said, constituted a "flagrant violation" of agreements governing allied military personnel in East Germany.

The statement charged that U.S. personnel had carried out "unlawful actions" on several occasions

before and said that Moscow had repeatedly complained to Washington about "the provocative and dangerous nature of such actions."

"The tragic outcome of what happened on March 24 is regrettable but the entire responsibility for it lies fully on the American side," the statement said.

Casper W. Weinberger, the U.S. defense secretary, Tuesday condemned the shooting "totally unjustified."

Mr. Weinberger, attending a conference of NATO defense ministers, said, "We are convinced the shooting of the major in East Germany was a totally unjustified act. He was entirely in a place where it was agreed observers can go."

A spokesman for Mr. Weinberger said, in a reference to the Korean airliner disaster, that the shooting reflected the "KAL mentality... shoot first and investigate later."

The U.S. arms delegation spokesman said the Geneva talks were continuing with the first detailed discussion of possible defensive anti-missile systems in space.

Max M. Kampelman, leader of the U.S. delegation, returned to Geneva from Washington on Tuesday in time for the first meeting of the subgroups on space arms. The meeting was held at the Soviet mission to the United Nations in Geneva.

Mr. Kampelman had been recalled by President Ronald Reagan to lobby members of the House for 21 additional MX intercontinental missiles on the ground that the approval of funds would bolster the U.S. negotiating position in Geneva.

The first two weeks of the talks were mainly to organize the negotiations. The negotiators decided to discuss substantive issues Tuesday, with a meeting of the subgroups on space arms.

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Soviet Bugged Typewriters at U.S. Embassy in Moscow

By David Hoffman

Washington Post Service

WASHINGTON — The U.S. Embassy in Moscow was bugged by the Soviet Union for a year and possibly longer with sensing devices capable of picking up what was written on embassy typewriters, administration officials have confirmed.

CBS News said the eavesdropping was a "sophisticated electronic spy operation which gave Soviet leaders an inside look at what U.S. diplomats were doing and planning."

The television network said Soviet agents installed tiny sensing devices in about a dozen embassy typewriters. "The devices picked up the contents of documents typed by embassy secretaries and transmitted them to antennas hidden in the embassy walls," he reported.

An administration official confirmed Monday that the embassy had been "penetrated" by "lifting things off typewriters. No doubt about it." The official said the eavesdropping was discovered some time ago and had been stopped.

CBS reported that the antennas in the embassy walls "relayed the signals to a listening post outside the embassy."

"The typewriters were in use from 1982 until the operation was uncovered in 1984," the network said.

It also reported that intelligence experts believe that Moscow had carried out similar eavesdropping earlier. It said an antenna was discovered during the cleanup of a 1978 fire at the embassy.

CBS said that U.S. officials do not know how the devices were installed and that they were found after a warning from a friendly government whose embassy had been similarly bugged.

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WORLD BRIEFS

Vietnam to Free U.S

AMERICAN TOPICS

of the Line
for the Caboose

The caboose, which has long been the rear of American railroads for more than a century, is being replaced by a modern electronic device designed to do work traditionally entrusted to the crew member perched in the rear of the train.

Railroad historians say the car invented about 1850 when men were getting so long that they could not see every car in the train. The name is said to come from the Dutch word meaning "cabin house."

The caboose also served as a sleeping quarters for the crew on long-distance routes but changing rules have meant crews no longer spend the night on the train.

Some unions are opposing abolition of the caboose, so far to no effect. Dick Tucker, a Pacific Railroad executive, said, "We're replacing a 35-foot box that costs about \$70,000 with a 35-foot box that costs about \$100,000. The device indicates when a train and its air brakes are working properly."



Brendan Gill

What Will
Eustace Tilley Say?

The New Yorker magazine is to publish a special issue on the occasion of the 100th anniversary of the magazine's first issue. The issue will be a review of the magazine's history and its impact on American culture.

Short Takes

The bridge in Washington that was hit by an Air Florida jet three years ago has been named the Arland D. Williams Memorial Bridge in honor of the man who sacrificed his life saving fellow passengers. The Jan. 13, 1982, crash killed 78 people. Mr.

Williams, 46, a bank examiner from Atlanta, stayed in the icy waters of the Potomac River passing a helicopter lifeline to other survivors before he drowned.

Cocker spaniels, which until recently had been losing popularity, have topped the registration list at the American Kennel Club for the second year in a row.

The National Park Service reports that if mild weather continues, Washington's cherry blossoms should appear at Easter, April 7, and right on time for the annual Cherry Blossom Festival that follows.

These Intruders
'Go Right to the Top'

A psychiatrist who has studied hundreds of people who have tried to gain unauthorized entry to the White House says they have such imaginary problems as feelings that the government is persecuting them, a desire to share supposedly secret information with the president or the prospect of a reward for an imaginary heroic deed.

Threats against the president came from only 22 percent of the 328 people who tried to get into the White House from January 1971 to July 1974, according to a study by David Shore of the National Institute of Mental Health.

"These are not political people but ones who have shown some signs of psychotic behavior," Dr. Shore said. "In America it's a tradition to 'go right to the top' and that's what they did."

—Compiled by
ARTHUR HIGGINS

Walters Accepts Posting as UN Envoy
Without Seat on U.S. Security Panel

WASHINGTON — Vernon E. Walters agreed Tuesday to serve as ambassador to the United Nations without having a seat on the National Security Council, according to Larry Speakes, the White House spokesman.



Vernon A. Walters

Mr. Walters had indicated previously that he did not want the cabinet-level diplomatic post unless he would have regular access to President Ronald Reagan at National Security Council meetings and similar high-level strategy sessions.

Mr. Walters said that the UN delegate, Jeanne J. Kirkpatrick, and her predecessors were not members of the council but had attended its meetings "on an ad hoc basis at the invitation of the president. General Walters' status will be no different than his predecessors," Mr. Speakes said.

Asked if it was likely that Mr. Walters would attend as many meetings as Mrs. Kirkpatrick, Mr. Speakes said, "That remains to be seen."

Background of Conflict

Bernard Weinraub of The New York Times reported earlier from Washington:

Mr. Speakes said Monday that Mr. Reagan valued the "expertise and in-depth knowledge of foreign policy" of Mr. Walters. But administration officials made it plain that

Mr. Reagan agreed with Mr. Walters' opposition to making the retired three-star army general a member of the council.

Mr. Reagan nominated Mr. Walters, an experienced diplomatic troubleshooter and former No. 2 in the Central Intelligence Agency, on Feb. 8 to succeed Mrs. Kirkpatrick. At the time, Mr. Walters said he would hold cabinet rank and indicated that he would serve on the National Security Council.

But, in recent days, administration officials said, Mr. Walters has been told he would not be on the council, which is the ranking foreign policy decision-making branch of the government.

Other State Department and administration officials said that Mr. Walters fought against giving Mr. Walters a seat on the council.

"It has nothing to do with Walters, but with that job," said a State Department official. "Shultz did not want the UN ambassador to have the same degree of independence that Jeanne Kirkpatrick had."

Mr. Shultz and Mrs. Kirkpatrick have tangled over foreign policy. A State Department official said: "It's not just having a seat on the NSC. It's the hobnobbing. It's the sense that you're one of the senior foreign policy people. In essence, what Walters is being told is he's not going to make policy."

Frustration Inside the 'Fudge Factory'

State Dept. Official Cites Lack of Funds, Mismanagement

By Bernard Gwertzman
New York Times Service

WASHINGTON — As Ronald L. Spiers tells it, he was happily at work as ambassador to Pakistan when he complained offhandedly to Secretary of State George P. Shultz, who was passing through Islamabad, about the way the State Department was managed worldwide.

The next thing he knew, Mr. Shultz was asking him to return to Washington to become undersecretary of state for management. Mr. Shultz's first choice as head of management, a corporate expert in the field, had given up in disgust after less than a year of trying to put order into what has affectionately been called "the Fudge Factory."

Another major complaint of Mr. Spiers is the lack of funds given to the State Department for its basic job. The budget is about \$2 billion annually, which, as Mr. Spiers points out, is less than one percent of the Pentagon's budget.

For instance, it is regarded in the State Department as a passport to a prized overseas assignment to spend two or three years as a senior aide to a high official. In fairness to those officers, they do put in 18-hour days and long weekends, and the toll on their personal lives is often heavy.

Too often, Mr. Spiers says, assignments depend "more on whom you know than whether you are the best for the job or the job is best for you." The system today penalizes officers "who are less visible to the decision-makers in Washington" and fails to ensure "equitable sharing of hardship assignments," he says.

At the heart of many of these problems is a loss of service discipline that, in his view, arises from a sense that the system is not operating equitably, he said. "I see little chance of restoring esprit de corps and a sense of service until we find ways to restore trust in the system and overcome a feeling that nice guys finish last."

The problems of the State Department are so long-standing — inadequate resources, cliquish personnel policies and a pervasive feeling that what most officers do has little impact on foreign policy — that being head of management is viewed by many in the department as an invitation to frustration.

Mr. Spiers, a veteran of the Foreign Service, has in recent months begun speaking out candidly about his unhappiness with the state of affairs, and he is quick to say that not much has changed yet. He recently gave a speech to the American Foreign Service Association, the trade union for the State Department, and excerpts from that speech appear in the current issues of the Foreign Service Journal and the State Department's own house organ.

In his view, not only does the State Department not receive enough money to do its job well, but it has failed to manage well the resources it has, namely a dedicated corps of diplomats.

It has long been known that a disproportionate number of competent diplomats had little to do. Secretary of State Dean Rusk complained in the early 1960s that the department had "too many chiefs and not enough Indians."

Mr. Spiers makes the same point when he says: "We have too many senior officers who cannot be placed in jobs appropriate to their rank" and "currently, 40 senior officers are over complemented," or doing "make-work" jobs.

In part, this is because of politics. Since 1981, he says, 23 ambassadors or other senior assignments have moved from career to political appointees. Even the most respected category is not immune. Of 40 career ministers, the absolute cream of the foreign service, seven are without meaningful jobs, he says.

Many officers, particularly those without challenging assignments, complain that despite a variety of objective criteria that are supposed to be used to rank officers and to

S. Indicts General Electric in Fraud

WASHINGTON — General Electric Co., the fourth-largest contractor in the United States, was indicted Tuesday on charges that it defrauded the government of \$800,000 on contracts for nuclear warhead systems, the Justice Department announced.

ward S.G. Dennis, a U.S. government attorney, said the indictment was filed by a federal grand jury in

Earlier, a GE company spokesman said there was no criminal wrongdoing on GE's part.

Jack Barry, a spokesman at GE headquarters in Fairfield, Connecticut, said Monday: "While it is entirely possible that, during the course of performing these multi-million-dollar contracts, charging errors did occur, there was no criminal wrongdoing on the part of the company or its employees."

Mr. Barry said the practices in question involved work on the warhead of the Minuteman intercontinental ballistic missile. The work was performed four years ago at the company's Re-Entry Systems Operation division in Philadelphia. The division has since been merged into GE's Space Systems division.

John Terino, GE's product-information manager for the aerospace division, said that the charges would involve "errors" on about 100 employee time cards submitted between March and November of 1980. He said about 100,000 time cards had been submitted during that period.

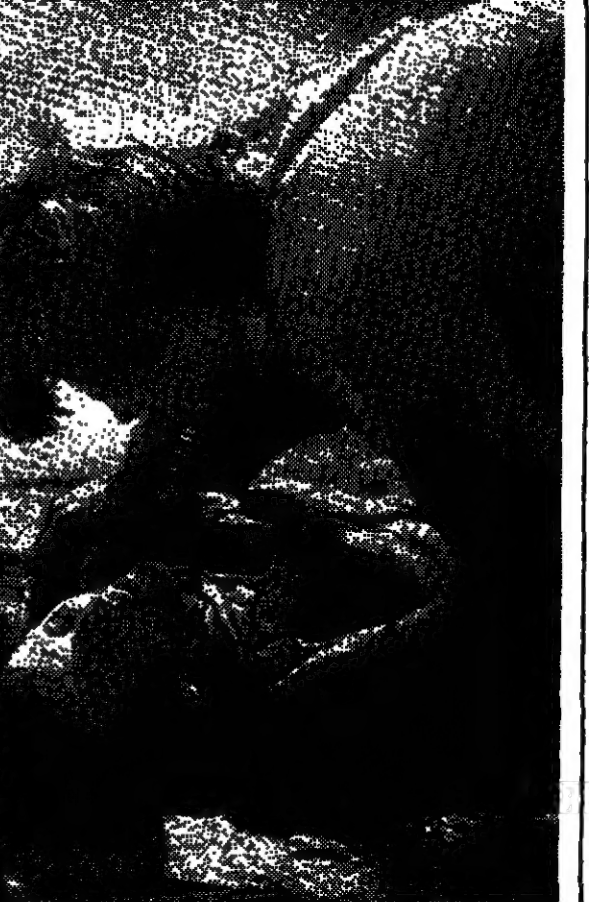
"This was certainly not deliberate," he said. "It was a simple error." He added that the company has told the government that it is willing to reimburse it for any charges found to be improper.

A Cut by General Dynamics
Wayne Biddle of The New York Times reported from Washington: Faced with growing criticism from Congress and the Pentagon, the General Dynamics Corp. announced on Monday that it would withdraw \$23 million of overhead charges made against government contracts from 1979 to 1982.

The sum is about one-third of such claims filed by the company that Pentagon auditors are questioning. During those four years General Dynamics, the Pentagon's largest contractor, billed the government for about \$170 million in overhead expenses, and the Defense Contract Audit Agency has challenged \$63.6 million of it.

"Although we believe the vast majority of the questioned items are probably allowable under the applicable regulations, we have now looked at those questioned items in light of today's environment," said David S. Lewis, chairman of General Dynamics, in his second appearance this year before the House Energy and Commerce Committee's oversight unit.

Voluntarily rescinding the \$23 million in overhead charges was the first action the company has taken since allegations of impropriety arose last year.



ESCUED — A paramedic helps Annette Cosh, 49, of Newcastle, Australia, after she was rescued from a boat at capsized off Oxnard, California. Mrs. Cosh and her 13-year-old son, who later died, were trapped with other passengers beneath the craft for almost an hour. The other passengers swam to shore 200 yards away.

Denmark Seeks Ready
The Danish government is seeking a ready-made solution for the problem of integrating refugees from the Soviet Union into the Danish labor market.

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U.S. Help for Cambodia?

A great terror overtook Cambodia when the United States departed in 1975. The Khmer Rouge killed a million or two of their fellow citizens, and subsequently the Vietnamese invaded. Resistance goes on. The United States has had no taste for any sort of military involvement in Indochina in the last 10 years, but the question now arises whether Washington should not go beyond political support and extend modest aid, through the Thai, to the non-Communist Cambodian resistance — to Son Sann's Khmer People's National Liberation Front, not to the Communist Khmer Rouge. That is the aim of a \$5-million aid proposal, launched in the Asian subcommittee of the House Foreign Affairs Committee by the subcommittee's chairman, Stephen Solarz, a Democrat of New York.

Aid to Cambodia? Aid that could take a military form? A new U.S. involvement in Indochina? The thought is enough to send a surge of alarm through the large community of Americans who have come to identify Indochina as the ultimate American disaster area in this century. That the contemplated aid is meant to be small and indirect, with no physical U.S. participation on the ground, is sure to be taken by many people as a sign either that it contains a core element of deception or that it will inevitably grow and slip out of control. The proposal arises during the 10th-anniversary review of the American defeat, which will not do so intensively the warings against it.

It is not time to take a more measured view? The so-called Vietnam syndrome, operative for a decade now, tends to make Americans shrink from uncertain involvements in which force may have to be brought to bear. We have never felt there was value in demonstrating that America was no longer hobbled by excessive regard for this "lesson" of the past. On the contrary, the leading Vietnam lesson — the requirement for the utmost care and serious-

ness in defining and defending U.S. interests — remains central. But, of course, the world is still there, and the United States still feels itself to be a global power. In all of this, bringing force to bear, or supporting the use of force by others, has its irreducible role.

In Cambodia? It meets certain of the agreed tests: The friendly party — the non-Communist KPNLF — is reasonably democratic. The hostile party is not a sitting government of some legitimacy but a foreign occupying power, the Vietnamese. Americans care about the victims — Cambodians. Aid could serve the practical purpose of helping ensure a seat at an eventual settlement table for the KPNLF. There is an American strategic interest — to contain Soviet power and reassure American friends. The possibility of a supportive political consensus is at least suggested by the fact that the sponsor, Representative Solarz, was first elected to Congress as a liberal Democrat 10 years ago just as South Vietnam and Cambodia were falling under Communist rule.

You might think that the Reagan administration, devoted as it is to an ideology of freedom, would be out from on this one. Actually it is hanging back, letting others break the path. It feels that the case has not been made that non-Communist Cambodians need U.S. aid or would profit from a more direct American involvement; there is also the danger that providing such help, even in a token way, might put a distracting American stamp on a cause whose Asian sponsorship is an important asset. American policy in Cambodia, under the last two presidents, has sought out a useful supporting role. That some Americans are prepared to consider going beyond that is an event in the evolution of the political culture. But the burden remains on those who would take the step to construct the necessary doubly persuasive justification for it.

—THE WASHINGTON POST.

Selling Government Debt

Senators Daniel Patrick Moynihan and Frank R. Lautenberg are proposing a novel way to reduce the U.S. federal deficit. They want the government to sell its enormous portfolio of loans to private investors, realizing, by Congressional Budget Office estimate, \$134 billion over the next three years.

The plan would indeed reduce the budget deficit, but the direct benefits would be more apparent than real. For the sale of government property, in contrast to a reduction in spending on Social Security or defense, would have no effect on interest rates or private investment. Still, the senators may be on to something. By selling off government loans, the real cost of the subsidies hidden in loan programs would become clearer to the taxpayers.

In periods of economic boom, government deficits damage the economy by absorbing financial resources that would otherwise be invested productively by individuals and corporations. This year Washington will cover its obligations by borrowing an extra \$200 billion with bonds to the public. As a result, some of the private borrowers lined up for credit behind Uncle Sam will fail to get it. Others will have to borrow abroad, creating an obligation to foreigners that must eventually be repaid with lower living standards for Americans.

Now consider the effect of selling, say, \$1 billion owned by the Boeing Corp. to the government's Export-Import Bank. The proceeds from the sale would show on the government's books as revenue, reducing the federal deficit by \$1 billion. That in turn would reduce the government's need to borrow by the same

amount. But note that the sale of the Ex-Im Bank's securities to the public would also absorb \$1 billion in private savings, canceling out the primary benefit of reducing the deficit.

From this view, selling off \$1 billion in government-owned debts is no better than the Treasury selling \$1 billion in new debt — or, for that matter, selling off B-52s and leasing them back. Indeed, by offering cosmetic relief to the deficit problem, it would relieve the pressure on the Congress to cut actual spending or raise taxes — something that would actually save savings for private investment.

Why then bother with what amounts to an asset shuffle? The government is currently owed a total of \$245 billion by a diverse group of debtors including farmers, small businesses and poor countries. Virtually none of these loans are worth their nominal sums. Some are unlikely to be repaid. Most promise interest income below market rates. But, discounted accordingly, at least some of the debt could be sold. And by selling concessionary loans to private investors, who would naturally pay less than 100 cents on the dollar, the government would at least be forced to reckon honestly with the now-hidden cost of the loan subsidies.

That alone is reason enough to pursue the idea. What is not known, however, is whether private investors would buy the higher-risk debts to government at a reasonable price. The way to find out is to test the market with some higher-quality obligations. Auctioning off promises no panacea, but it could be a step toward more responsible government.

—THE NEW YORK TIMES.

Other Opinion

Gorbachev: A True Reformer?

Nobody knows whether the new man in the Kremlin will have enough power to give practical effect to the reforms he is said to favor, or indeed whether his reputation in that respect is justly deserved. But he talks in a way that accords with modern realities, by contrast to the clichés churned out by his predecessors, and he seems more inclined to face economic realities than the old guard he replaces.

—New Zürcher Zeitung (Zurich).

Soviet Bullets, American Blood

Soviet use of deadly force in the killing of a U.S. military liaison officer in East Germany is an outrage even if Moscow's version of the tragedy is taken at face value. We are left to speculate once again, as with the downed South Korean airliner, whether Soviet brutality is the result of overly rigid standing orders or provocations either by the Kremlin or by

factions seeking to embarrass the current leadership. In any case, relations between the two superpowers are bound to be strained just as arms negotiations and preparations for a summit get under way.

If Congress now becomes more receptive to administration pleas for higher defense budgets, the Russians will have only themselves to blame. Mr. Reagan, however, has set the tone by looking ahead to a summit. By the same token, Congress should continue its critical work on the defense budget despite the emotions unleashed by this tragic death.

—The Baltimore Sun.

This was the first time in 40 years of Cold War that a soldier from one superpower has fallen under the bullets of a soldier from the other superpower in a direct confrontation. So, in the first instance, this is the exception that confirms the rule of coexistence.

—Le Monde (Paris).

FROM OUR MARCH 27 PAGES, 75 AND 50 YEARS AGO

1910: Keeping Peace in the Balkans

ST. PETERSBURG — The reception in Russia given to the King of Serbia is a proof of the closeness of the traditional relations of the two States. In the course of the interviews between the Russian and Serbian Ministers of Foreign Affairs, various questions interesting to the two Governments were examined, and it was settled that both sides attached essential importance to the maintenance of peace in the Balkans. In the opinion of the Serbian Government, the kingdom will find a precious support for its free and pacific development in its good relations with Turkey. The Serbian Government will at the same time use every effort to maintain similar relations with its neighbor, Bulgaria. The Russian Government sympathizes sincerely with Serbia, and will give her its active moral support in this regard.

1935: Roosevelt's Unpopular Reforms

WASHINGTON — The observation is general that the second anniversary of F.D. Roosevelt's occupancy of the White House finds him in difficulty. "Reform" is too mild a word to describe the changes in American ways of life. It is clear that some of these innovations have gone badly, and that the sum of them, when pressed down on the familiar American pattern of society, causes the whole to be something which is not a workable form of society and government, in America or anywhere else. It would not be accurate to say that the National Recovery Administration is universally regarded as a mistake or a failure. But it is so regarded by so large a number of Democrats, and by so many of the President's most sincere well-wishers, as to create a reason for the President to review his own attitude about it.

The Fight for the Soviet Economy

By Stephen F. Cohen

PRINCETON, New Jersey — A major struggle over Soviet domestic policy will be greatly intensified by the choice of Mikhail Gorbachev, a reform-minded leader, to succeed Konstantin Chernenko as general secretary. The outcome will be felt far beyond Moscow.

With the conspicuous exception of the Soviet Union, market-oriented reforms have been transforming the economic nature of communism from East Berlin to Beijing. Haltingly in Eastern Europe and rapidly in China, the Stalinist model of almost total state control is giving way to more diversified and decentralized economies in which small private enterprises play a growing role. If the Soviet Union remains apart from this, eventually it will appear to be surrounded by social systems unlike its own.

That prospect is ironic, because the first communist experiment in mixed economics occurred in the Soviet Union 60 years ago. In 1925, Soviet leaders legislated policies almost identical to those now under way in China, encouraging peasant farmers to "enrich" themselves, allowing artisans and merchants to flourish, and subjecting state enterprises to market competition. Known as the New Economic Policy, or NEP, the experiment was abruptly shelved by Stalin in 1929 in favor of the monopolistic state system that became his institutional legacy.

It is not as if reformers in the deeply conservative Soviet establishment have not been trying to escape Stalin's legacy. For more than 20 years they have advocated a new version of NEP, including a substantial role for private enterprise in providing consumer goods and services, and a partial decentralization of the state sector to free local managers from irrational central directives.

Despite having been politically defeated in the 1960s and all but silenced in the 1970s, reformers have staged a comeback. Among other indications, they have regained access to official intellectual journals whose pages express behind-the-scenes political disputes more candidly than does the daily press. The result has been an outburst of controversy.

Last April, for example, the journal Problems of History featured two extraordinary calls for reform. One was an unprecedented editorial lauding the party's policies of 1933-64, the period of Nikita Khrushchev's far-reaching reforms that conservative officials still anathematize. The other was an article on Lenin's introduction of NEP. In it, Evgeny Aramburov, an advocate of market communism, argued that political crises in communist countries, from Soviet Russia in 1921 to Poland today, are not caused by internal and foreign enemies, as conservatives allege, but by bureaucratized economic systems that fail to meet consumer needs.

Mr. Aramburov's message was twofold and urgent: The unreformed Soviet economy could generate a Poland-like crisis; and a new NEP is the only solution.

Conservative reaction was predictably intolerant. Communist, the journal of the party apparatus, charged Problems of History and Problems of Philosophy, which had published similarly provocative articles, with "violating" Marxism-Leninism. Late last year, both admitted "errors," but hardly in a way that suggested contrition. And in January, the philosophy journal retorted by editorializing against "dogmatic ideas," and included protective quotations from Mr. Gorbachev.

The journal war signifies that the question of fundamental economic reform has been reopened at high levels. Given the country's serious problems of productivity and shortages, and its recent leadership changes, that development is not surprising. But powerful conservative forces remain implacably opposed to

significant reform, even a timid ongoing program to increase the autonomy of plant managers. In a recent Soviet poll, many managers said central control had actually increased. Above all, conservatives reject market-oriented reforms, even minor ones such as authorizing private taxis or family restaurants. Nor are they willing to unfetter the tiny household plots on collective farms, which on less than 5 percent of the land yield 25 percent to 30 percent of all agricultural output. With a horse, a peasant farmer could produce even more, but conservatives still defend Stalin's ban on private ownership of horses.

Contrary to some Western reports, conservatives are not really afraid of a "return to capitalism" or "democratization" in any meaningful sense. Even in communist countries with extensive marketization, that has never been the result. And yet, the widespread fear of reform is instinctively both economic and political. Market economics and other decentralizing measures pose competitive tests of workplace performance. They threaten millions of citizens in a system that does much to promote inefficiency and nothing to punish it, and that guarantees the jobs of superfluous

bureaucrats and slothful workers. Marketization is also a Soviet code word for less political control of society. If the sphere of private enterprise grows, the realm of the state will diminish. Central authorities will have to deal with autonomous producers through persuasive market relations, which are a buffer against capricious bureaucratic power. The result will not be democracy but a certain liberalization that would spread, given the need for freer communication, to censorship and other areas of political control.

Understanding these frightening ramifications, Soviet conservatives have always maintained that marketization may be safe in small communist countries such as Hungary, but not in large ones. The dramatic reforms in China, an even more populous country, will not easily change their minds. Indeed, they have imposed a virtual ban on candid press accounts of the Chinese experiment.

Nonetheless, in the policy struggles that always follow a succession, reformers have their best chance in years to sell the market to Soviet leaders. They insist, as they did in the '60s, "better late than never."

The writer is a professor of politics at Princeton University and a frequent commentator on Soviet affairs.

Capitalism: Dynamic, Destructive, Doing Just Fine

By Charles Krauthammer

WASHINGTON — Capitalism is on a roll. Free-market Asia is booming. America, under an administration of Coolidgean inclinations (Coolidge was the ultimate hands-off president: When his death was announced, Dorothy Parker asked, "How could they tell?"), is enjoying what the Europeans call the American miracle. American liberals are talking growth and incentives. Free Societies have given up redistributionist dreams.

And now Chinese Communists have joined the cult of the market. In fact, they have supplied the most re-

bate on the farm crisis. David Stockman would like Americans to believe that the culprits are a bunch of speculators in overalls who bet the farm in the '70s on rising land prices and lost.

Hollywood pretends that the problem is a bunch of cold-hearted bankers and bureaucrats who, for the sake of a healthy bottom line, are prepared to torment even Jessica Lange.

The real cause makes neither a good political target nor an attractive movie plot. Forty-five years ago, a quarter of Americans lived on farms. Now 90 percent of them are gone — and the country is overproducing food. What made that miracle possible, and is now driving the remaining few off the land, is technology that permits vast economies of scale. When a farm family has to borrow half a million dollars for machinery to keep up with larger operations, it becomes clear that farming on this scale is simply obsolete.

With new crises come new villains. The newest victims of robust capitalism are half a million savings-and-loans depositories. How robust? One bank, the biggest of Ohio's 71 privately insured S&Ls, did chancy business with a fraudulent company, lost everything, and thus bankrupted

the private insurance that was protecting the other 70. The S&Ls were shut, and depositors feared for several days that they would never see their savings again.

It seems like a case study in the perils of deregulation. Remove the cap on interest rates and all institutions, even the most solid S&Ls, will have to compete frantically to pay depositors higher rates. Some will go into more speculative investments. And some will go under. The Wall Street Journal scoffs at the suggestion that the problem is caused by deregulation. The cause is simple, says the Journal: a foolish bank, a bad deal and a couple of wheeler-dealers.

But surely the larger point is that capitalism welcomes, indeed invites, foolish bankers and wheeler-dealers to the market. Market entrance requirements are based not on ethics or intelligence, but on what my father calls "Lincoln's recommendation," or that of any other face on the currency. The way to protect the system, the banking system in particular, from too much risk and too many rogues is regulation — i.e., artificial constraints on the market.

It does no good to blame foolish farmers or greedy bankers, if it does so

is to assume that without fool knaves capitalism would be span cycles and debacles.

The most poignant example is coal. Arthur Scargill is a bit of a provocateur, and Margaret Thatcher is a bit of a provocateur. But they will have killed the mining, that are now to die. They are a case of energy substitution, foreign competition and environmentalism. It is a 19th-century fuel, as much family farm as a 19th-century prize. Capitalism writes and, writ, moves on.

The little savior is shaken by automation. The family farm is or by mechanization. And industry workers fall to history and tology. Capitalism is working.

It is the first system in history to lift the mass of men out of misery. It randomly visits misery on groups. Instead of searching for it, it might be more humane the rest of society, which is from that mighty engine, to some of its vast surplus to cushion the fall of its victims.

The writer, a senior editor of Newsweek, contributed this piece to The Washington Post.

America's Vanishing Act in the Mideast

By William B. Quandt

WASHINGTON — To listen to President Reagan in his most recent press conference, one would hardly know that there had ever been a Middle East peace initiative with his name on it, to say nothing of the Camp David accords. "But our proposal in the very beginning was that we did not want to participate in the negotiations. It wouldn't be any of our business to do so."

In 1982 he drew another picture of the U.S. role in the Middle East peace effort: "Our involvement... is not a matter of preference, it is a moral imperative. The strategic importance of the region is well known... I recognize that the United States has a special responsibility. No other nation is in a position to deal with the key parties to the conflict on the basis of trust and reliability."

Later, in private talks with King Hussein of Jordan, the president went far in committing the United States to an active role in the search for peace. If Jordan joined the negotiations, he said, the United States would undertake to get the Israelis to cease settlement activity in the West Bank and Gaza. He also promised that the United States would try to shorten the transition period from the five years envisioned in the Camp David accords and support the idea of immediate talks on the final status of the occupied territories.

If Mr. Reagan has now forgotten all this, Hussein has not — and yet people ask why he and other Arabs are hesitant to join negotiations. If the president does not feel bound by his own words, what about the Camp David accords and the Egyptian-Israeli peace treaty? During those historic negotiations, President Jimmy Carter committed the United States to the role of "full partner" in the peace process — a point accepted by both Anwar Sadat and Menachem Begin in a letter they sent to Mr. Carter confirming their understanding... that the United States government will participate fully in all stages of negotiations.

What can account for this clear change of attitude? Perhaps the tragedy of Lebanon and the fate of misguided U.S. policy there have convinced Mr. Reagan that the area is best avoided. And perhaps the United States can afford to turn its back on Lebanon. But what about the rest of the Middle East? Is America providing more than \$5 billion annually to the region, and pouring in vast quantities of arms, without some sense that it has interests there?

True, oil prices are down and the threat to oil supplies is momentarily limited. And, true, the Russians are not making great gains at U.S. expense. Nor does the danger of an Israeli-Syrian war appear imminent. There are sound reasons for America to adopt a "go-slow" posture toward Middle East peace. Timing is of

the essence in diplomacy, and less activism can be worse than slivity. A good case can be made: the Israelis need more time; they can be expected to enter a talks on the West Bank and Prime Minister Shimon Peres's hands full with Lebanon and an economy and can scarcely show down with his Likud co-partners on the Palestinian question.

On the Arab side, too, the good arguments for caution. So deeply opposed to the efforts to end, Egypt and the Palestine Liberation Organization to get peace negotiations started. No one can know how best to deal with the Arab, and Egypt, Jordan and the are still working on somewhat of a stalemate.

Still, there is the germ of a consensus among them, and it involves initial dialogue between a Jordanian delegation and the PLO. President Reagan is, provided the PLO is included, but there is no other for the idea in Washington.

While the parties to the co will have to deal directly with another at some point, it is little that escapism for Mr. Reagan for direct negotiations with no participation. Successful negotiations between Israel and the have always combined some of mediation and direct contacts may be a comforting notion for Reagan that at some point the is and Arabs, with a bit of help him, will sit down and make a deal. But without a good bit of nudging and arguing, and with U.S. inducements, it seems unlikely they will do so.

For Mr. Reagan to hold back longer would be not only a blot from his own peace initiative, Camp David but also a blot precisely the forces in the region most strongly oppose U.S. intervention to the Los Angeles Times.

The writer, a senior fellow at Brookings Institution, was a member of the National Security Council staff from 1977 to 1979. He contributed this piece to the Los Angeles Times.

Unintended Eloquence From Reagan

By Tom Wicker

WASHINGTON — Sometimes you have to wonder if the Great Communicator is aware of all that he communicates. Here is a one-liner from President Reagan's remarks at the Gridiron Club's dinner in Washington last Saturday: "I think we should keep the grain and export the farmers."

(I did not attend the dinner, and do not feel bound by its tradition that "reporters are never present." I heard of this "joke" from someone who was there, and it was reported in The Washington Post.)

With so many farmers losing their land — often through no fault of their own — and suffering from outmoded government policies, a declining farm economy and crippling trade restrictions, Mr. Reagan's grainless export advice seems to suggest that he just does not care.

Farmers already know he used misleading statistics, in vetoing a recent farm "rescue" bill, to minimize their plight; of course he does not have to run again, but other Republicans are likely to feel the farmers' resentment in 1986.

Mr. Reagan also regaled the press-club diners with knee-slappers about nuclear weapons and arms control. Nobody need worry about rumors that he sees a psychiatrist, he is reported to have said: "I just sit in my office pushing buttons all day." And "there's good news from Geneva — Nancy, your watch is maybe."

Maybe nightclub comics can get away with button-pushing jokes, but a man with his finger stuck on the button may be revealing more of himself than he knows. And with a new Soviet leader in office and the Geneva talks just starting, making light of them seems ill-timed and contemptuous of what hope there may be.

Thus did the Great Communicator complete a week in which he had suggested, at his news conference, that blacks in South Africa



were bringing the Afrikaner government's violence on themselves because "there is an element in South Africa that do not want [sic] a peaceful settlement." For an oppressed and unarmed majority of South Africans, who live without fundamental rights under a brutal government, that was the back of Mr. Reagan's hand.

But at the same news conference the same Mr. Reagan declared that in backing the armed violence of the Nicaraguan "contras," the United States was pursuing a "tradition" of "trying to help people who had a communist tyranny imposed on them by force, deception and fraud." Does he really mean to suggest that the "communist tyranny" in Nicaragua is more to be despised than the racist racial tyranny of a well-armed white minority in South Africa?

Closer to home, Mr. Reagan displayed an utter lack of concern when asked about "major sources of information like news networks being taken over by political activists." He pretended ignorance of Senator Jesse Helms's takeover campaign against CBS News ("Boone Pickens, was that who you're talking about?"), then dismissed the subject: "I don't have any comment on that."

Even some who believe that net-

works and newspapers have a liberal bias might have wished that Mr. Reagan had issued livelier warnings than that against a deliberate ideological campaign to lay a network and turn its news report into openly one-sided propaganda.

But he was not even willing to defend reporters — a hundred or so of whom sat before him, some to be jovially called by their first names — against charges that they are unpatriotic and contemptuous of American values.

"No, I'll tell you," he said, "I think I'll leave that argument to others. I won't even get into it." The Great Communicator also communicated his famous inattention to detail. He said he had not yet seen a speech by the British foreign secretary, in which important British concerns about the "star wars" defense plan were voiced; yet the speech had been made on March 15, seven days before the news conference. And of his decision not to visit a Nazi concentration camp site while in West Germany, he remarked:

"The German people have very few alive that remember even the war, and certainly none of them who were adults and participating in any way..." That will be news to a lot of Germans.

The New York Times.



Their China has gone capitalist. Got anything to



Their China has gone capitalist. Got anything to



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INSIGHTS

Some Doubt Thatcher Can Revive The Spirit of Enterprise in Britain

By Michael Getler
Washington Post Service

LONDON — Can Britain become what Prime Minister Margaret Thatcher wants it to be: an American-style "free enterprise, entrepreneurial culture" that booms along under the banner of self-reliance, creating new jobs and a strong economy?

Or is this nation, so civilized and tolerant in so many ways, still too immersed in class-consciousness, socialized services and a more relaxed attitude toward work, education and profit to transform itself? Does it, down deep, even want to change?

Mrs. Thatcher says Britain can and must change if it is to break the grip of relative economic decline that has hampered the country since World War II. She has staked much of her political reputation on such a transformation.

"We had it," she said of the spirit of enterprise in this country, where the Industrial Revolution was born two centuries ago, "and we are trying to regain it."

But Ralf Dahrendorf, who stepped down last fall after 10 years as director of the London School of Economics, says Britain has not had that spirit since the 1890s.

"It is totally absurd to try to change a society 180 degrees," he said. "The point about Ronald Reagan's success is that he is reviving traditional American values and virtues. Mrs. Thatcher is trying to do just the opposite: fight all the traditional English values and virtues and, in my view, she is doomed to failure."

Britain is a society of many solidarities, "totally adverse to the spirit of competition between individuals. If you try to get one against the other, you get nowhere in Britain. America is exactly the opposite. There is a great tradition of trying to get somewhere on your own. In Britain you always pretend you are not trying."

Between the views of Mrs. Thatcher and Mr. Dahrendorf lie the views of a many British academics, economists and managers, who were interviewed recently, and the conclusions of some recent international surveys.

Those views suggest that while Mrs. Thatcher may be pushing Britain toward a more dynamic



Margaret Thatcher: Britons had the spirit, "and we are trying to regain it."



Ralf Dahrendorf: Fighting the traditional virtues is "doomed to failure."

led the world in market penetration," the report said.

The survey of 1,100 business leaders and economic specialists in the 28 countries said that London's financial center was booming and dynamic, along with North Sea oil and expanding service industries.

But "there are grave doubts whether these strengths will be enough to offset very deep-seated structural problems," the management forum report says. The country faces "a major competitive shortcoming" in its failure to train enough skilled workers and "Britain's virtual specialization in low-value products will put it more and more into competition with low-wage, but increasingly productive, Third World countries."

A mid-1983 report by the U.S.-based Aspen Institute for Humanistic Studies on work habits in several industrialized countries found Britain

The point about Ronald Reagan's success is that he is reviving traditional American values and virtues. Mrs. Thatcher is trying to do just the opposite: fight all the traditional English values and virtues.

economy, she could be overwhelmed by cultural obstacles, her policies of tight money, and even her personality, spawning divisiveness rather than consensus.

There is also little optimism that any major deal will be made in Britain's record 13 percent unemployment.

An oil company executive said Mrs. Thatcher "is more likely to fail than to succeed. But the country will be better off even if she doesn't bring it all off."

BRITAIN under Mrs. Thatcher is now in its fourth year of modest economic growth, holding its own among its West European allies but lagging behind the United States and Japan.

Inflation has been reduced to a steady 5 percent, investment productivity and corporate profits are all up. Huge nationalized industries have been sold to the private sector. A 3.6 percent growth rate for 1985 was recently forecast by the London Business School, and Mrs. Thatcher's success in facing down Britain's powerful coal miners in their strike may smooth industrial relations in the future.

John Cassels, director of the National Economic Development Office, also points out that the number of self-employed people has grown by nearly 500,000 in the last five years and the total number of companies by 8 percent, most of them small.

And Britain has a core of top-rated international companies, such as Courtaulds textiles, Imperial Chemical Industries, British Petroleum and the Jaguar auto company, that are led by highly regarded managers.

But there remains a troubling undercurrent that can shatter Mrs. Thatcher's hopes.

A major report last month on international competitiveness by the European Management Forum, an independent, Geneva-based foundation, places Britain in 14th place in a survey of the 22 Western industrialized member nations of the Organization for Economic Cooperation and Development and six developing countries.

The halfway mark among 28 nations is a significant climbdown for a country that once

scored the lowest. "The will to work and to do well in one's work is lowest there," the report said, "and dissatisfaction with working conditions is the highest."

Although Mrs. Thatcher cites gains in worker productivity, the European Management Forum report says Britain's is the lowest of all industrialized countries and that the higher figures reflect either increased unemployment or shorter hours. "A British manufacturing worker adds only one third of the value to production achieved by his U.S. colleague and little more than half that of his German mate," the report says.

Britain's economy is growing and the country has a surplus in its balance of international trade. But the management forum report and a new OECD report on Britain — and numerous other specialists — point out that the income from North Sea oil obscures the fact that, beginning in 1983, Britain's manufacturing trade dipped into deficit for the first time and has remained there.

Britain is now the world's fifth largest oil producer. And while Mrs. Thatcher points out that the oil contributes only 6 percent of Britain's total output of goods and services, the gross national product, it produces 10 percent of government revenue and 20 percent of exports.

The oil money is "the aspirin that prevents the pain from getting through," said an economist. It obscures, he said, the real measures of competitiveness and the devastating loss of traditional manufacturing, especially in the north of Britain.

But Mr. Cassels, of the development office, said the oil "gives us more time to change and adjust."

"As we succeed," he said, it will change people's perceptions of where responsibility lies for making things happen."

EDWARD Heath, a former Conservative prime minister, described Mrs. Thatcher's monetary policies as "the kitchen sink economics of the housewife" that will never produce enough growth to cut deeply into the country's unemployment problem.

Unlikely Governor Takes the Helm in Stern Yankee State of Vermont

By Kevin Klose
Washington Post Service

MONTEPELIER, Vermont — Not since Ethan Allen captured a British fortress without firing a shot 210 years ago has Vermont leader so bested the establishment as Madeleine M. Kumin, new governor-elect, the most rock-ribbed and rural U.S. state, more than that she is one of only two women in the United States. Her husband reads like a fictional story: an immigrant Jewish woman who is a Democrat, a flinty, Republican, Yankee Vermont.

Since Mrs. Kumin's widowed mother sent her son and daughter to America in 1930, Mrs. Kumin's family has been called recently, "I felt this sense of optimism that you could do anything."

Her mother felt very strongly about that for us," she said. "The whole Horatio myth was alive and well as far as we were. I think everyone who comes here, has the immigrant experience, brings a set of values for life that you carry with you."

Although Mrs. Kumin, 51, said she never applied the myth "to myself, as a girl, as a woman, I think, indirectly, it did affect me. I think it also left me with sympathy for the 'dog'," she said, "some kind of social conscience, which I think is important."

Mrs. Kumin is Vermont's third Democratic governor, the first woman chief executive in the history and, with Martha Layne Collins of Kentucky, one of two women governors in the United States.

She was born Madeleine May in Zurich, the child and only daughter of a Swiss school teacher. Her father died when she was three, and her older brother, Edgar May, grew up in similar circumstances.

In 1940, as France was falling to Hitler's army, her mother fled to Italy.

Her mother died in 1941, leaving her 3,000 other Jews, the family immigrated to the U.S. Manhattan, a time with 900 Jews in the last ship allowed to leave a Jewish aboard.

Mrs. Kumin does not remember the tension, an adventure as far as I was concerned."

LET in New York by relatives, the family settled in Forest Hills, New York.

Mrs. Kumin's Swiss background is firmly today, her original German is firmly a language, with French a distant third.

Her family later moved to Pittsfield, a small town in western Massachusetts, where she finished high school.

Mrs. Kumin graduated from the University of Wisconsin, studied journalism at Columbia and went to work as a reporter at the Boston (Vermont) Free Press.

When she said, was one of the few places she got a general-assignment job that was suited to society news.

In a year reporting about local school and city councils, she took a job at a

local television station. She met and married Dr. Arthur Kumin, a kidney specialist who now teaches at the University of Vermont Medical School.

Meanwhile, her older brother, Edgar, a graduate of Northwestern University, also had become a reporter at The Buffalo (New York) Evening News, winning a Pulitzer Prize in 1961 for investigative reporting. He now is a Vermont state senator.

"I had my first child and stopped working," she said, talking of the 1960s. "Then, I did a lot of volunteer things in the community, got a master's degree between children and did some free-lance writing."

"My husband went to Harvard for two years, and I did some part-time public-relations work at Boston University," Mrs. Kumin said. "But it was just bits and pieces."

And something was missing.

When her husband got a sabbatical and the family spent 1970 in her native Switzerland, she found what it was.

"I was ironic, because Switzerland was so much more behind, but yet it did mobilize me," she said.

In 1972, Mrs. Kumin ran as a Democrat in Burlington, Vermont's largest city, and won a seat in the state legislature. She won two more-year terms, filling increasingly important minority-leadership posts.

In 1978 and 1980, she was elected lieutenant governor while Richard Snelling, a Republican, was voted governor.

Mrs. Snelling decided not to seek a third two-year term in 1982, but changed his mind after Mrs. Kumin announced her candidacy and appeared to be an easy winner. Instead, Mr. Snelling ran and defeated her with 55 percent of the vote.

"If I hadn't gotten strong support two years ago to run a good race, I wouldn't have been in a position to run this time," Mrs. Kumin said of the 1982 loss. "Women must be prepared to try again and not be discouraged by losing."

Last November, Mrs. Kumin defeated John J. Easton Jr., the Republican state attorney general, by just 62 votes more than the 50 percent Vermont law requires.

In the next two years, Mrs. Kumin must deal with the \$35-million budget deficit Vermont faces.

The budget problems will squeeze her efforts to improve education aid and attempts to offer incentives to businesses to settle in depressed areas of the remote northeastern state, where 66 percent of the population of 535,000 live outside urban areas.

Mrs. Kumin also must seek solutions to the sharp new disputes breaking out between Vermont's staunch conservationist movement and vacation-resort owners pressing for huge new expansion of their ski and year-round recreation facilities.

ALTHOUGH these are severe problems, Mrs. Kumin takes office in exceptional circumstances. For the first time in state history, the Vermont Senate is in Democratic hands, and as if to prove the state's national reputation for civilized, yet topsy-turvy political independence, the Republican-controlled lower house has elected a Democrat as speaker.

In her inaugural address, Mrs. Kumin paid tribute to the underdog, and to the women's movement.

"I recognize that I was able to raise my right hand before you this afternoon only because so many women had raised their voices long before my words were spoken," she said.

America's "limitless dream," she told her audience in the diminutive statehouse, "must continue to beckon to the next generation." Vermont residents should reject "the harsh theory of survival of the fittest," she said. "Our task is to be both prudent and humane. We cannot accept the status quo."

Speaking privately earlier, Mrs. Kumin said, "Governors have had to deal with difficult financial times and have really not been able to avoid those tough decisions. As a woman, there are no simple solutions or simple answers."

"It's not a question of getting the right media expert, or the right slogan, or any of those things," Mrs. Kumin continued. "If my race proves anything, it is that experience means a lot, and that you have to build up strong credibility as a candidate based on everything else, not just being a woman. Based on your stand on the issues, on your ability to do the job."

"I think you do have a special hurdle to overcome," the governor said. "Sometimes I think the whole point of a woman running for high office, when that hasn't been achieved before, is to get people to really look at you for who you are and to put the whole gender question aside."

"That's easier said than done, because it doesn't really work that way. But that's what you want to achieve. In a sense, I think that's what I achieved," she continued. "That I could get people to focus on my qualifications and the issues, and that diminishes the obstacle of gender."

"The hurdle is mostly there because of lack of precedent. I don't think it's in and of itself a bias. I think it's a bias because nobody's used to the idea," Mrs. Kumin said.

"Fifty years from now, it'll be less of a novelty."

Baby Who Symbolized New Brazil Dies

Short Life Illustrated Problems Faced by the Democratic Government

By Juan de Onis
Los Angeles Times Service

IO DE JANEIRO — The first baby born in Brazil this year — hailed as a "symbol of the birth of a new republic," and adopted by the president-elect, Aécio Neves, and named in his honor — died on Tuesday.

The circumstances of the death of Tancredinho, as the child was called, illustrated the human problems Brazil faces as it moves to democracy. The child died of pneumonia and dehydration two months and five days after his birth.

Any of the children born in Brazil's shanty towns live only a short time. In impoverished areas, such as the northeastern states of Ceará and Piauí, infant mortality in 1984 exceeds 120 per 1,000 births. Nutritional deficiency, leading to gastrointestinal and pulmonary disease, is the main cause of death.

Tancredinho's chances for survival seemed slim from the start. Born in a Rio de Janeiro favela on New Year's Day, Tancredinho and his mother, Maria, were living in a wooden shack on a hillside behind the luxurious waterfront apartment houses of Copacabana Beach.

The mother did not have enough milk to nurse the new baby, but Mr. Neves's office said

for March 15 — because of two intestinal operations.

It was when Mr. Neves's wife, Risoleta, was pictured cradling the baby in her arms that Tancredinho was described by the Brazilian media as a "symbol of the birth of the new republic."

Mr. Neves, 75, has said that his first priority after inauguration will be an emergency program to provide jobs and food for the lowest strata of Brazilian society, where even those who can find jobs are paid a minimum wage of less than \$40 a month.

Mr. Neves has said that his No. 2 priority will be to reduce inflation, which raised prices 225 percent during the last 12 months. The poorest have been hardest hit because food and rent have led the price increases.

BUT Tancredinho did not live to see the "new republic" despite the unusual advantages proffered by his benefactor.

The baby's father, Francisco Ribeiro dos Santos, 31, is a manual laborer for the city, which pays the minimum wage. Tancredinho's mother, Terezinha Pereira de Lima, 26, has two other children. The parents migrated to Rio from the northeastern state of Paraíba and live in a wooden shack on a hillside behind the luxurious waterfront apartment houses of Copacabana Beach.

The mother did not have enough milk to nurse the new baby, but Mr. Neves's office said

to it that she was provided with powdered milk, prepared baby food and clothing for the infant.

Three weeks ago, rainstorms swept Rio de Janeiro, producing floods, mud slides that killed 20 people in the slums and misery in the shantytowns where 800,000 people live.

Tancredinho came down with a cold. He was treated by his mother with medicine provided by a local pharmacist but was not examined by a doctor, according to Carmen Buité, the executive secretary at Mr. Neves's office.

The mother then decided to take her two older children back to Paraíba and leave in Rio de Janeiro was too high to keep the family fed, she said.

RATHER than take the sick baby on the 1,200-mile (2,000-kilometer) bus trip, she asked that Tancredinho be placed in a nursery run by a foundation for child education.

"With the assistance of the president-elect, he was admitted like an honored guest," Mr. Neves's secretary said. "He had a case of the sniffles, but the mother didn't tell us that he had been sick for a week."

By the second day, Tancredinho was being given an oral serum for dehydration, then antibiotics for pneumonia. A week ago, he died.

Sebastião Nascimento, who runs the foundation, remarked, "I hope Tancredinho's death serves to light the way for President-elect Tancredinho Neves and the new republic."

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was the first full year of the Everbright Industrial Company's operation. The company, formed in 1982, that will judge more investment in public relations manager, Wang Guoqing, and about 10 staff members here said. The company was established in 1982, and four others in China.

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Ebright's main business is to build up the company's reputation, and to attract investment. The company's main business is to build up the company's reputation, and to attract investment. The company's main business is to build up the company's reputation, and to attract investment.

Economic Developments in China

YEAR OF THE OX – China loosens the Reins and gets down to Business

THIS is the first month in the Chinese Year of the Ox, a good year in the Asian cosmology. Its symbol recalls the slow, steady progress that can be achieved by working easy in harness. All the economic indicators look good for business: China's forex reserves grew from US\$2 billion at the end of 1980 to US\$16.5 billion by mid-1984. It has substantial old reserves reported to be 12 million ounces, and a debt-service ratio so low that it has Western bankers pounding the pavements in Beijing looking for loan prospects. Though no one can seem to agree on final figures, due to differences in methods of calculation, all sources do agree that 1984 was a banner year for China trade with the West. China has enjoyed bumper harvests for several years, there is no hunger. Finally, to the delight of Western exporters and investors, China needs more and better of just about everything if it is to succeed at modernizing its economy in the lifetime of anyone now alive.

Everyone is flush with the success of reforms since 1979. When Deng Xiaoping took the reins of power in hand, relative figures show staggering progress: "Living standards of peasants", according to Zhao Weichen, Vice Minister of the State Economic Commission in the annual issue of *PRC Quarterly*, "have risen remarkably. In the previous five years (1979-1984) their average per-capita income rose 150%." He notes that agricultural output went up 4.8% annually, and 40 of 100 major products in the government's registry of light and heavy industries were two years ahead of their output goals under the Sixth Five-Year Plan (1981-1985).

Deng Xiaoping and his supporters have taken the position that a guided socialist economy works better, at least for China, than a rigidly controlled one on the Soviet model. The keynote of this new approach is contained in the term, "songbong" which roughly translates to "loosening the reins" – in this case meaning the devolution of decision-making powers from the center of government to responsible field commanders in local governments and business enterprises.

China's leadership has reached a natural terminus: 1985 is the last chance to achieve many incomplete goals of the Sixth Five Year Plan and the time to sow the ground for the Seventh, which begins in 1986.

The factory manager who

must implement systems based on merit and productivity has been yoked to a heroic task: He must make things work. The government wants wages adjusted for the difficulty and importance of the work. Factories can now adjust their

over the period of the seventh plan. Who are these agents of change? Of the nearly two million managers now employed in the state's financial and commercial sector, fewer than four per cent hold university degrees.



Aerial view of Zhuhai city near the Special Economic Zone.

Photo: Xinhua News Agency

own prices within set ranges, they can trade with other provinces and can set up their own joint ventures with foreign partners for export products. They can compete in the bidding among all other local authorities for central state money to underwrite major projects in the next five year plan. Song Ping, the State Planning Minister, told New China News Agency late last year that he had already received requests for funding of 3,000 such local projects

Government spokesmen have been reported as saying that half the leaders of state-run enterprises in China – which means virtually all enterprises – have less than a junior high school education.

In the north, the National Center for Science and Technology at Dalian was recently characterized as the "Harvard Business School of China" by *Newsweek* magazine, courtesy of M.B.A. courses being run by the State University of New York in

Buffalo. The three-year program ends with a final year of study in the United States and has already produced a breed of "best and brightest" managers in high government postings.

In the south, Guangdong's equivalent of a provincial personnel bureau has signed an agreement with the International Institute of Education, a U.S. non-profit university counselling service with offices in Hong Kong and other Asian cities, to assist in English-language testing for job placements, counselling for applicants to American universities and the supply of educational equipment. Jay Henderson, Asian director of IIE, claims they have also been asked to provide high-level American financial and economic experts to assist Beijing's central government planners in better understanding of Western business practices. The problem so far, according to Henderson, is that no one is yet willing to fund such an exercise.

Foreign businessmen at first rejoiced in the hope provincial authorities, with wider discretionary powers would bypass much of the top-heavy Beijing bureaucracy. It has often proven true. For instance, a Citibank introduction to China investment notes that in 1983 alone, 105 new joint equity ventures were established, adding greatly to the 83 that had been established over the previous five years. Foreign investments in these ventures are in excess of US\$200 million and 68 of them are located in the four Special Economic Zones. There were also 200 new co-production projects contracted, valued at US\$180 million.

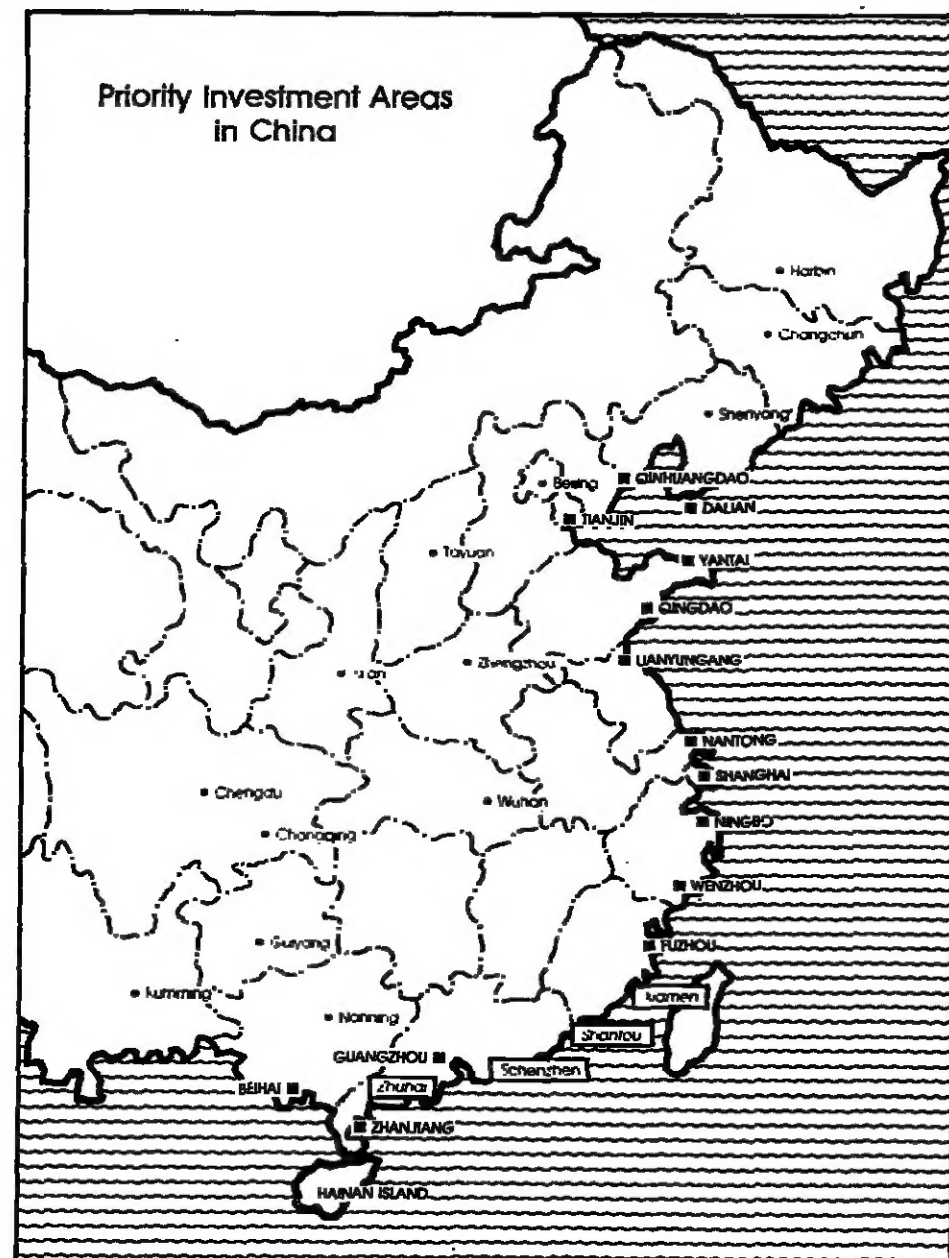
Successes are offset by stories of businessmen accustomed to computer technology and the niceties of tort law reduced to giving elementary lectures in the concept of "cash flow" in a frantic effort to seal a contract. The hard fact is that direct foreign investment in China has not been large. It has been estimated at about US\$3.3 billion over the last five years with a large percentage of that from Hong Kong – and much of it in pledges of intent that may never materialize.

Neither Chinese government leaders nor foreign businessmen are happy about it,

which is why the 14 open coastal cities and Hainan Island were added to those areas designed to lure investors late last year. Already this year, creation of three special Delta Economic Zones has been announced – those of the Pearl, Yangtze and Minnan Rivers in Guangdong, Jiangsu and south Fujian provinces respectively. That makes 21 official zones, but does not count the special status of certain hinterland cities like Wuhan, Chongqing and Shenyang.

A recent article in the *Beijing Review* quoted an address by Vice-Premier Li Peng at a national port conference in Beijing to the effect that, "China had opened 99 foreign trade ports by the end of last year (1984)." And that, he said, was in addition to all the other zones, ports, cities and deltas already noted. The numerology of China's "open doors" is approaching the complexity of interpreting the future from the *I-Ching* hexagrams.

Many Western businessmen have found more doors mean more margin for misunderstanding and error. There is in effect no single Chinese organization that can, after a certain point, give a flexible trade agreement a clean bill of health. That's a problem new laws now being promulgated are designed to overcome by making it clearer to Chinese managers what they have the authority to actually decide in a joint venture negotiation. Meanwhile, traders must cope with the verities of an atomized decision-making process in a cen-



tralized economy.

China's great successes so far have been to build a huge cash board of foreign exchange with its export drive and to open the world's largest untapped consumer market to itself, by letting its own people keep some of their cash and by making things those people want to buy with their new found wealth – especially color televisions, refrigerators, electronic gadgets and stylish clothes. According to a report on China's investment goals for the upcoming Seventh Five Year Plan (1986-1990) in *China Briefing*, published by the Area Office China of the Hongkong Bank, "Ending years of suspense – and, apparently, internal debate – the

State Economic Commission said that China will spend US\$14.2 billion of its hard currency reserves to purchase 4,820 pieces of advanced technology between 1985 and 1987."

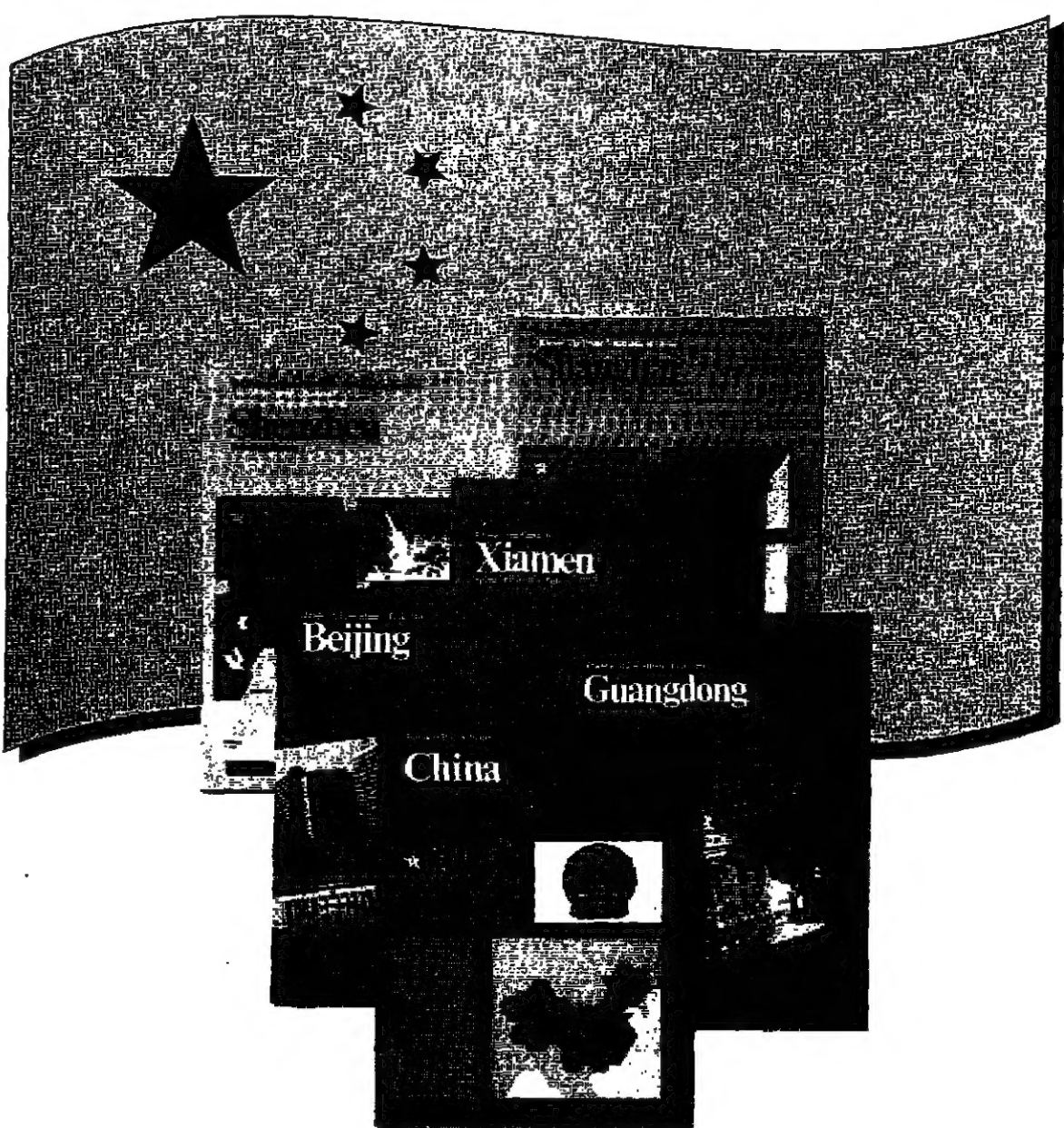
Having made the most of trade surpluses, tourism earnings and overseas remittances, China plans to put its money to work in an effort to upgrade the technology of existing enterprises. According to the Bank report, this was a contested decision: "The conservatives or forerunners within the government have argued that the reserves should be held for future energy development. But it appears that the spenders have won out and the

funds will go toward more immediate needs.

Including the forex reserves spending, China plans to invest the equivalent of RMB 90 billion yuan on upgrading its industries in the next three years. Compared with the total spent on technical upgrading in the five years from 1979-1983, of RMB 106.5 billion, this new figure represents a huge increase and signals a strong new tack in China's economic planning."

As a report in the *China Daily* said: "Now the picture seems clear. In the next five years, China's investment priority is to modernize its industrial enterprises." And for Western exporters and investors, that means business.

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The Great Leap Crosswise – An Everbright Year in China

1984 was the first full year of operation for Everbright Industrial Company in Hong Kong, a company formed "to do something horizontal" that will nudge more investment openings into the rooms behind China's "open doors" says Fang Zheping, its public relations manager. Everbright's Chairman, Wang Guang Ying, and about a third of the 75 corporate staff members here came down from Beijing where the company was conceived. Another 175 staff members run four offices in China.

What does Mr. Fang mean by horizontal? Basically, Everbright seems designed to jump into the economic valleys between formal goals of government trading and financing bureaucracies. For instance, three organizations in Hong Kong – China Merchants Steam Navigation Company, China Resources and Bank of China – represent Fang's idea of "vertical" organs for implementing state economic policy. Another such organization is the China National Technical Import & Export Corporation, which takes invitations for bids and mostly handles projects in the central government's "five-year plans".

"Everbright projects would normally take several years to develop," notes Fang. Ever-

Kong and a project in Yuen Long, on Kowloon peninsula.

They also maintain offices in mainland cities via a separate corporate entity, Beijing Everbright Industrial Company, with offices in Wuhan, Guangdong, Tianjin and the capital. Early this year, the Beijing affiliate signed a 4-way venture contract with Burroughs Corporation in Yunnan province which calls for assembly, distribution and maintenance of small business computers. Press reports put its value at over US\$20 million.

"In the past year we have already been in contact with over 1,000 companies worldwide," asserts Fang. Although Everbright suffered something of a black eye when it retreated from a large Hong Kong property deal last year, its fast lane development efforts are still impressive. Chairman Wang Guang Ying first came to Hong Kong in April 1983. By August, he'd formed Everbright.

"We have had a ninefold increase in contracts signed over 1983," says Fang, "with

370 contracts signed in the last year, we have averaged about one contract per day." He puts their total value at about US\$391 million. Given that 1984 was the company's first full year of operation, Everbright was certainly in overdrive, even if China's general "open door" contract progress seemed stuck in low gear.

By way of an annual report, Fang Zheping sketched the following profile of Everbright's major involvements in 1984, broken down by six regional development projects, (Total Value US\$410 million), 11 investment or joint venture projects (total value US\$110 million), and 10 cooperative agreements with provincial or municipal authorities on power plant projects. Fang says they are working on some of these projects with Kumagai, who built the first Hong Kong Cross Harbour Tunnel and Mass Transit Railway and Kajima, which has a reputation for quality highrise building construction.

Noteworthy is the Zhuhai (SEZ) land reclamation of 170 sq/km (200,000 Chinese mu) work, underway and expected to have 20,000 mu reclaimed by early March. End 1985 goal is 60,000 mu. Sea depths vary and the deeper parts will be turned to ponds for fish and shrimp farms.

This project is at Continued overleaf

Guangdong Native Produce Exporters poised for growth in Pearl River Delta Region Plan

Guangdong's Governor, Liang Linggang announced early this year that a conference in the new Pearl River Delta Open Coast Economic Zone will be held this April or May - perhaps modelled on the recent 14 open coastal cities symposium held in Hong Kong last winter. Conference participants from the mainland will come to Hong Kong with a shopping list for an undisclosed number of projects. Plans for opening the hinterlands of Guangdong province along the Pearl River put the Guangdong Native Produce Branch of the China National Produce and Animal By-product Import and Export Corporation at the center of change in Chinese trading practices.

Founded in 1953, the Guangdong Native Produce Branch comprises various areas of activity: with an annual income reported to be US\$30 million. They are: Native produce; Sundry foodstuffs; Chinese crude drugs and parent medicines; Forestal products, divided in the making of incense, mosquito coils, candles, fireworks, firecrackers, etc.; bamboo products and wooden wares; gold fish; flowers; birds; bird cages and essences. The corporation also manufactures small metalwares, mainly kitchen utensils. China National Native Produce and Animal By-products is a nationally-run trading company with over 20 subsidiaries and customers in over 140 countries.

While 'Sailing Boat' brand gum rosin and 'Double Happiness Brand' candles lack the drama of blast furnaces flaring in turnkey steel mills or the like, they are among the thousands of

heartland products that stand to be most dramatically affected by the new delta zone policies - which specifically indicate that enterprises at all levels - including private

zone will concentrate on the production of commercial crops and animal husbandry, and is intended to become a key area for food processing. This also complements the



Bamboo Products Hall, Guangzhou Exhibition Center, Autumn 1984.

Photo: Xinhua News Agency

traders and peasant households - may be granted independent export authority.

Guangdong's Governor has already indicated that the new

traditionally strong position of Guangdong's traders of native produce such as dried fruits, nuts and vegetables; medicated wines, patent

medicines and Chinese crude drugs; and various Chinese spices and essential oils.

Rules for foreign investment are likely to come out of the sessions this Spring, but at a major Beijing conference in January Governor Liang stated that the opening of the Pearl River Delta to foreign investment would come in stages, beginning with six cities and ten counties adjacent to them. The six cities are Guangzhou, Shenzhen, Zhuhai, Foshan, Jiangmen, and Zongshan. The ten counties are Panyu, Zengcheng, Nanhai, Shunde, Xinhui, Kaiping, Taishan, Dongguan, Baoan and Doumen. Eventually, he was reported to have said in a Xinhua news dispatch, the cities of Huizhou and Zhaoqing and 14 counties adjacent to them will be included.

Though there have been few reports on the topic of the new delta zones in the international media, Hong Kong's Chinese-language *Wen Wei Po* waxed ecstatic in an early January editorial that followed the Beijing conference. They described a future urban sprawl along both banks of the Pearl River delta that resembled Los Angeles as a kind of megalopolis, with Hong Kong as its 'window' to the world and surrounding hinterland market of some 200 million people.

Though, as of early March, there was no official word from Beijing on the creation of the three new delta zones, State Councillor Gu Mu, China's open policy spokesman, was reported by Xinhua news agency to have said that the whole coast of China will

Continued from previous page

The Great Leap Crosswise

Modanmen, the second largest estuary of the Pearl River and long silted. "This is the biggest project of its kind in China, possibly in all of Asia," asserts Fang Zhengping. As he describes it, nine out of every 10 years several million mu of farmland are inundated during rainy seasons. Dredging the estuary for fill will make it navigable for larger shipping and offer flood plain protection to the upper and middle reaches of the river delta. Presently the project works on a 3½ year completion target.

A key question, says Fang, is whether provincial authorities will find it worthwhile to speed up the work. Local people have been reclaiming land along the river for centuries, but larger equipment would considerably speed the process.

be opened to foreign investment. Though he could provide no details on investment provisions for foreign firms interested in the Pearl River Delta zone, Guangdong's Deputy Director of the Provincial Foreign Economic Relations and Trade Commission, Feng Xuebin, told reporters for Hong Kong's Chinese-language newspaper, *Wen Wei Po* that the new zone will grant export privileges to a broad range of local enterprises including private traders and peasant households engaged in producing foodstuffs for export. He was in Hong Kong during a visit of the provincial trade commission.

Reclaimed land on the Zhuhai site is intended for growing sugar cane. Everbright means to build a cane refinery and packaging plant for making sugar cubes and table bags. Fang says they may also build a paper mill to use the bagasse of the refinery if coal is available as a power fuel source. Fruit orchards and agricultural farms are also planned.

Everbright also undertakes to develop the Beiling Industrial Estate in Zhuhai (SEZ). Fang claims to have already identified about 20 American investor companies for the 4 sq/km estate, which is intended for high technology/low pollution applications.

Wang Guang Ying is also the "honorary chairman" of the Nantou oil support service corporation in Shenzhen

(SEZ), which intends to build a 38 sq/km industrial estate but has yet to develop the plans.

Fang notes that joint venture project structures are either 3-way programs that include a mainland authority, foreign investor and Everbright or 2-way programs done directly with mainland authorities.

Among the projects are: The Wuhan Brewery set up together with AMS Company, West Germany. Under the brand name *Spartan*, 50,000 tonnes a year will be produced. part of it for export. An insulated glass factory in Shenzhen (SEZ) has been arranged in a 3-way agreement with Chinese partners. The Shouguang taxi company in Beijing will be supplied with vehicles in a 2-way agreement with Shoudu (Capital) Taxi Co.

Fang notes that there have been no foreign contracts signed yet in the 10 cooperative power plant

agreements, but many companies have sent technicians for site studies. Toshiba, Hitachi and IHI from Japan; GEC and NEI from the United Kingdom. He says the Japanese groups have an advantage due to their association with the Mitsui Marubeni and Sumitomo trading companies who market Chinese products in Japan to raise foreign exchange, and have assurance of government-backed low interest loans.

Everbright announced plans for power study agreements shortly after serious winter electricity shortages were predicted by October by the weekly *Peking Review*. Citing the Ministry of Water Resources and Electric Power, "The country is currently short of 10 million kw of the required electricity generating capacity and 4 billion kilowatt hours of electricity," the report said.

China is reported to have 170 generating plants, with capacities of over 100,000 kw and another 4,300 facilities that can turn out at least 50 kw. The report noted that 46 projects given priority by Chinese leaders in 1984, 2 involved production of electricity. Earlier reports in the *China Daily* underscore the problem. They claim that 40 per cent of rural households had no electricity and most villages are short of fuel for at least two months every year. They also estimated that one machine out of every five in China is idle for lack of power.

Chinese leaders have decided to invest in nuclear energy and plans for 10 plants have been drafted, though only two are included in the sixth five-year plan (1981-1985); one at Daya Bay near Hong Kong and the other at Qinshan in the eastern province of Zhejiang. The ambition is to achieve a generating capacity of 10,000 mw from atomic power by the year 2000.

Wang Guang Ying - Everbright's Ebullient Chairman

Wang Guang Ying, 65, is China's most prominent capitalist abroad. He is chairman of China Everbright Holdings Company Limited, China's first privately registered business in Hong Kong since the 1949 Revolution. Wang is certainly not China's only capitalist, but he is the first to act like one.

From his 39th floor corner office suite overlooking Victoria Harbour and Kowloon, chairman Wang oversees a staff of 75 and the fruits of his wheeling and dealing. In a little over a year, Wang has managed to get Everbright involved in a variety of projects worth an estimated US\$300 million.

China under Deng Xiaoping decided to industrialise - and fast. Old-time capitalists like Wang Guang Ying, who was called a "red capitalist" by Premier Zhou En Lai are back in vogue.

Wang is tailor-made for the job of facilitating East-West business ties. He is also well-connected, having married the sister of China's former head-of-state Liu Shao-chi. Current Premier Zhou Ziyang, a confidante of Wang's, helped Everbright get established in record time. Beijing also apparently gives the young company all its support.

Since people find the present policies very good, no one wants to change them. Certainly the longer Wang Guang Ying stays in town, the harder it will be for China to look backwards.

Guangzhou gets its First Fashion Show from China National Textile

While the music was the same, it was a 'Love Story' of a different sort that was enacted on the Guangzhou stage in March. It was a celebration of the changes that have swept China since the 'open door' policy to the West was initiated in 1979.

Models paraded 107 garments over the evenings of March 1st and 2nd - to the beat of music from the 1960s, the latest Cantonese pop songs and before packed houses in the 1,600-seat music hall opposite the Guangzhou railway station. It was the first fashion show ever staged by the Guangdong office of China National Textile Imports and Exports Corporation, co-sponsored with the China Silk Corporation.

And its purpose was not even to boost sales, it was just for fun. According to company spokesmen, it was presented as entertainment for the citizens who may now buy and wear some of their fashions from Hong Kong and local designers; and a kind of corporate fashion

statement that the 'Liberty Uniform' - those drab blue or grey tunics and trousers out like Western pajamas - is a thing of the past.

Besides improving the quality of Guangzhou nightlife and giving amateur singers and models a chance to practice, the event was a

way for China National Textile to parade its stuff before an audience it has long ignored: its own domestic market. Since 1952 the company has built its reputation with foreign buyers. It has its own quota to the United States and Canada and its cotton towel bedding and clothing produced in over 16 factories, by 5,000 workers spread throughout the province. Its 'Plum blossom children's clothing is said to be in great demand worldwide.

For two days in March 3,200 people in Guangzhou had their consciousness raised about the concept of fashion itself, in an environment of leisure and with the promise of a lucky draw prize. The prize for the local winner was only a blouse, but for China National Textile the prize was an introduction to the world's largest untapped market for personal apparel and the happy recognition that many of tomorrow's buyers may be the people right next door.

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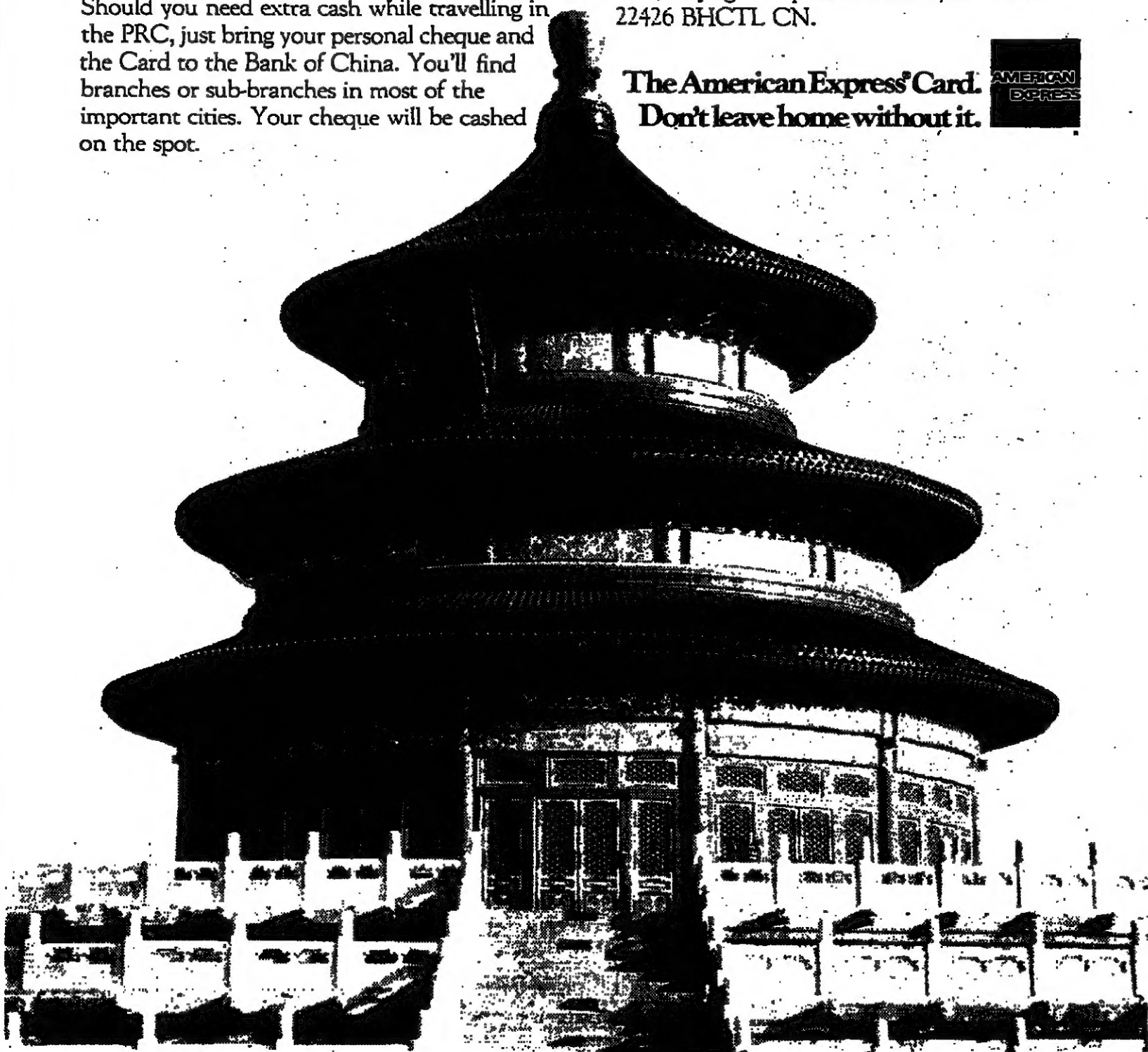
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New Wuhan office positions Hongkong Bank for China's hinterland thrust

HONGKONG Bank is scheduled to open its new Wuhan office next month, and a spokesman for their Area Office China says river coast cities like Wuhan are another stage in the Chinese government's "trickle-in" approach to rationalized development. According to current Bank thinking, the PRC has turned around Mao's concept of dispersing influence from the cities. This was based on relief that too much investment had gone to cities to the detriment of the vast hinterland. Now, under Deng Xiaoping, the government is back to noting cities - as exemplified first by the Special Economic Zones (cent to the major coastal cities of Guangzhou and Xiamen and then by the opening of 14 coastal cities to foreign investment.

They are deliberately turning urban investment to fit the hinterland this," said a Bank officer. Cities are again getting attention; but they are coastal cities to the outside and means to exercise a sort of "leap-frog" theory of development. Wuhan is one of three inland cities that have given unusual discretionary powers. Other cities are going further up the Yangtze River in Sichuan and Yang in the northeastern province of Liaoning. Wuhan usually a conurbation of cities with about five million people and it, with the two municipalities, serves directly to the central government, which makes it the economic equivalent of Shanghai or Beijing. It is test points for the region of change coming over from the coastal cities on the sea and the Hongkong Bank means to its leadership in China.



Hongkong Bank in Beijing.

by opening its sixth office in Wuhan, about 1,200 kilometers south of Beijing and west of Shanghai. Their banking license is already approved and the representative office will be well-positioned to help provincial authorities in their attempt to restructure trade apparatus and develop joint ventures; mainly to service the domestic economy.

Wuhan is Hongkong Bank's first interior office, in neither a front line coastal city nor Special Economic Zone. The river port is a communications and commercial center for neighboring provinces, especially Hubei. It is also a manufacturer of iron and steel, textiles, precision machines and a center for processing foods from the fertile plain which surrounds it.

Development with Western involvement is not new to Wuhan, which when first opened was a larger port than Shanghai. In fact, Hankow, one of the three Wuhan cities, was one of China's largest trading ports before 1949 and there remain many Western-style buildings. It had some 42 foreign consuls and was one of the original "treaty ports" of the 19th century.

"Our banking network in China takes account of the economic area going ahead," said Bank spokesmen. "The Wuhan office puts us two ahead of all the other banks in China. The people here were very welcoming, and provincial authorities very professional. We see a lot of potential there."

Wuhan's biggest drawback is the extremes of its climate. Though a beautiful city with

about 80,000 hectares of lakes and an "East Lake" five times the size of Hangzhou's famous West Lake tourist draw, Wuhan is called one of the "three furnaces" of China. Summer temperatures can reach 40 degrees Centigrade and drop to minus-five degrees in winter. Ironically, its gorgeous lakes make it humid and more uncomfortable.

Founded in China in the 1860s, the Hongkong and Shanghai Banking Corporation floated the country's first public loan in 1874 and has been assisting in China's development projects ever since. Even after 1949 and through the troubled period

of the Cultural Revolution, the Bank's Shanghai branch was always permitted to remain open and conduct business - a testament and measure of its special status in China. Today, its Area Office China employs 20 staff and coordinates activities in Shanghai, offices in Beijing, Guangzhou, Shenzhen and Xiamen (the two latter with Special Economic Zones), and shortly in Wuhan. Its 300 branches in Hong Kong also finance a significant share of the estimated 20 per cent of China's total international trade which is channelled through Hong Kong annually.

Actually, Hongkong Bank

pioneered the very concept of banking in many Asian countries. It was literally the first bank in Thailand, the first Western-style bank in Japan and has always sought to provide better banking services for world trade by opening offices in the world's main ports. A check of the Bank's present 1,000 offices worldwide shows how thoroughly this "ports first" policy was followed. Small wonder that it's so well suited to coastal cities' operations in China and so well understands the requirements of world traders. For instance, is also the oldest British-run bank operation in New York, France and Germany.

By dint of its own expansion and acquisitions of banks in the Middle East, Hong Kong and the United States, Hongkong Bank has become more a federation of banks than a single mammoth unit. The 20th largest bank in the world in terms of deposits is actually a group of banks, structured so that its various members retain their autonomy, identity and ability. The Bank expects that "officers take their own decisions, and notify rather than seek permission from head office". 45,000 staff members in 54 countries are linked for international requirements and unhampered in serving the needs of their local clients.

Guangdong Province is the Cutting Edge of three different 'Open Door' Zones

China National Machinery is the Light Industry leader

Chinese government officials have created a third kind special economic area - Open Coastal Economic Zones - in three river delta areas of the country, using the Pearl River. That makes Guangdong province the single most "open" area of the People's Republic of China. Of the original four special economic zones, three are in the province: Shenzhen, Zhuhai and Shantou (Swatow). Guangzhou (Canton), capital city, ranks fourth among Chinese cities in all commodities accounts and in export trade amounts and is one of the 14 designated "Open Coastal Port Cities" introduced late last year. In addition, it is the major processing center for products in Hainan Island, which was also opened for economic activity at the time.

It is the center of Guangzhou's light industrial output which, according to Guangdong Deputy Mayor Anhai, accounts for 7% of total industrial output value in the province also ranks fourth in the country, is the China National Machinery Import & Export Corporation's Guangdong branch (CMG). Established 1956, they have almost 30 years of experience in international trade with its from over 100 countries worldwide. CMG vies cut across a wide

range of manufacturing sectors. They deal in the import and export of machines and equipment for complete plants, specific application machinery, ships and vessels, hand tools, farm implements machinery, electrical products and so on. Guangzhou alone has a workforce of almost 800,000 in over 4,000 industrial enterprises. The city's shipbuilding industry ranks third in the nation, and its ships have entered the international market. It accounts for the processing of

12% of the nation's nonferrous metals and its total export value of rubber ware ranks second in China.

CMG deals in the export of machinery and instruments manufactured by machine-building enterprises throughout Guangdong province. It handles the introduction of technology, coproductions, joint ventures and the import of machinery, equipment, instruments, parts, components and raw materials needed by provincial enterprises. It also undertakes trade practices such as processing with supplied drawings, samples and materials and sub-assembly, compensation trade, technical service and labor export projects.

There are few things that CMG does not handle. Following is a short list of complete plant machines and equipment now available for export: sugar cane refinery (including multi-utilization equipment), paper making; cereals, oils and foodstuffs processing machinery, equipment for making toilet soaps, production lines for the complete enclosure of paper-case pasted dry cells, complete equipment for making mosquito-repellent incense, equipment for production of various chemicals, marine equipment, construction machinery, rub-

ber-making machinery, cotton textile machinery, packaging machinery, ships' iron blocks, semi-trailer containers, electrical machinery, oil pumps, clean water pumps, fire extinguishers, hand tools, orchard and garden tools.

Guangzhou is a collecting and distribution center of goods in South China and is one of the three largest financial centers in China. Situated at the estuary of the Pearl River, it is also a communications hub in the region. Its links inland are by a criss-cross network of waterways and highways. It is the starting-point and terminus for railways to Shenzhen, Beijing, and Sansui. Its ocean-going vessels call at over 350 ports in over 100 countries and regions of the world. Baiyun International Airport in Guangzhou has airlines to large and medium-sized cities in China, and direct connections with Hong Kong, Bangkok, Manila and other cities in the region. Huangpu Harbor and Guangzhou Harbor handle 22 million tons of goods per year, with another 16 million tons handled by rail. Goods imported and exported through Guangzhou ports account for 10% of the national total and the city ranks as one of the four biggest ports in China for foreign trade.

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'Emulate Beijing's Jianguo Hotel,' Hotel Managers told at Tourism Conference

Fifty managers of top state-run hotels in China were told they should improve standards in their hotels, "by emulating the methods of Beijing's Jianguo Hotel, the first in the country to meet international standards." In 1984, the Jianguo was also referred to as a good example of how Western management ideas and techniques can be successful in China. The hotel is managed by Hong Kong's Peninsula Group, the oldest and among the most respected hotel management companies in Asia and the first foreign hotel company to manage a new international-style hotel in the People's Republic of China.

Well located in an area of offices of over 30 international diplomatic missions, and corporations and the commercial section of the

American Embassy, the 454-room Jianguo was designed by the overseas joint venture partner, American architect and property developer Clement Chen Jr. and provides all state of the art hotel facilities including an indoor heated swimming pool, boutique banquet facilities, and three restaurants serving Cantonese and other foods, a cocktail lounge and coffee shop.

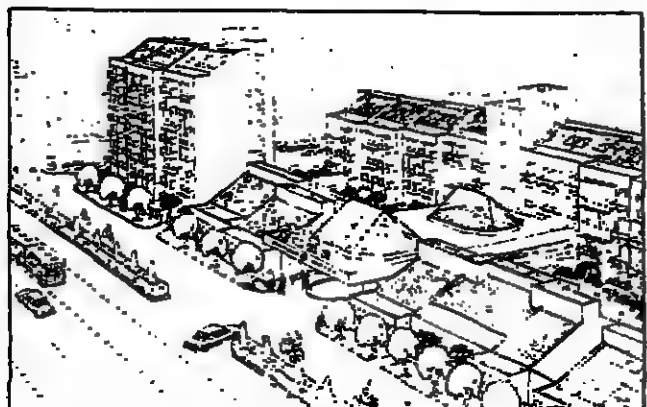
Its food and beverage outlets are key indicators of quality to foreign Beijing residents and, always alert to market trends, the management decided to open a top quality Japanese restaurant late in 1983. The 'Nakabachi' restaurant on the hotel's ground floor was designed under direct supervision of Japanese management for authenticity and its kitchen is staffed by Japanese chefs.

Western delicatessen foods were well high impossible to come by before the Peninsula Group decided to open its 'Gourmet Corner,' which carries home-made breads, pastries and cakes in addition to cold cuts, home-smoked trout and imported cheeses. The famous Peninsula

chocolates are hand-made in the hotel with quality ingredients flown in from Switzerland and, twice weekly, the hotel's master chefs prepare a selection of *paids* and *terrines*. That the 'Gourmet Corner' would be a smashing success with expatriates was a given fact, the surprise was how popular it's become with local Chinese anxious to sample such exotic fare.

The Jianguo management means to keep their hotel at the top of the national ratings. One way it expects to do so is with continuous staff training in a center to be incorporated in new staff quarters now under construction. The hotel has also recently sponsored three staff members to study on a one year scholarship grant all aspects of hotel management at the Hong Kong Polytechnic. The hotel is also undergoing continuous refurbishment. They are now redecorating guest rooms under a phased program that allows for closing several rooms at a time over a number of months.

Training for service, redecorating for comfort, adding in food and beverage outlets for quality and innovating new services for convenience are four of the ways in which Peninsula Group management has built its reputation for excellence. This last, new service, is exemplified by recent introduction of a Valet Shop that provides expert dry-cleaning services available even to those who are not hotel guests, and a one-day Kodak film developing and printing service.



This artist's impression shows the main entrance and atrium skylights that give a garden atmosphere to the Jianguo Hotel's lobby. The hotel's tower has 310 guest rooms and its lower building complex has 145, including suites.

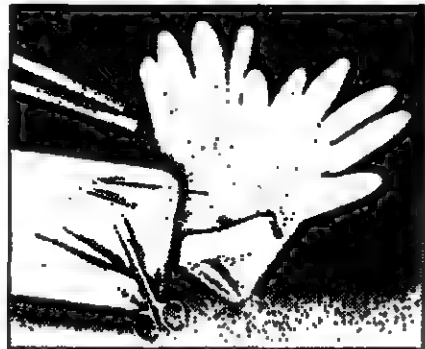
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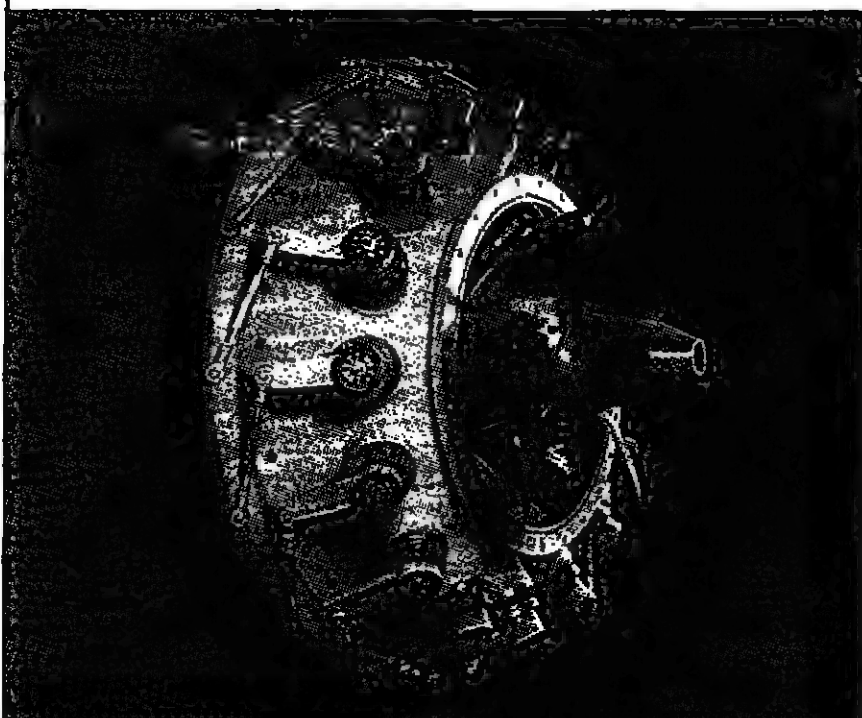
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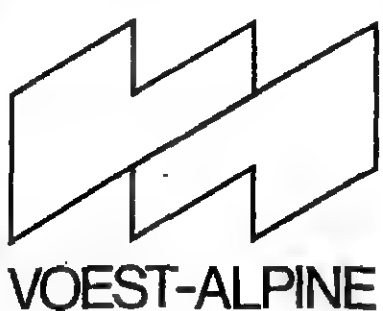
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Dick Weden is clearly proud of his 15 months spent building the China base of operations and services to American Express Cardmembers. "You can sleep, eat, drink in acceptable Western-style hotels in about 18 cities throughout China. We have about 150 affiliated establishments currently and expect close to 300 by the end of the year."

American Express has been in Beijing about three years, and has its representative office at the Peking Hotel.

They came to China under the auspices of the National Tourist Authority (N.T.A.), which is under the China International Tourist Service (C.I.T.S.). Initially they operated only in an advisory capacity to the government and as a liaison office for groups coming into China. Even now, the only group tours sold directly by American Express come out of New York City and tally to about 3,000 passengers a year.

Weden's strategy involves four simultaneous tasks: convincing high government officials that some American Express policies are inflexible, such as negotiating his way out of surcharges on card use by members that apply to all other card holders in China; conducting expense-paid seminars for operators of hotels and restaurants and Bank of China officers in the provinces to introduce the philosophy of credit cards and financial services; beating

the bushes to expand the service establishment base of American Express in China; enlarging the size of the Beijing Office to offer more comprehensive services to tourist groups and business people.

Direct Purchase Service

"Yes, you can hand your American Express Card to a waiter and pay your bill in a hotel restaurant accepting the card," affirms Weden, who adds that, "We still recommend you bring more travelers' checks than usual for travel to China." Lack of card acceptance and, most loudly, the indirect surcharging of card use by Chinese establishments has been a complaint of foreigners doing business there.

American Express forbids surcharging on their product, but the Chinese require a cash advance system be used by all other cards in the country. Until last December, anyone hoping to use a card other than American Express had to go to a special counter in their hotel to make an advance in the amount of their bill. They

could not simply hand a waiter their card and sign a check. Besides being troublesome, it was expensive. Chinese bankers charge four per cent of the total withdrawn for the service. Special hotel counters have since been removed and now only one bank per city is allowed to make such transactions.

This simplified banking practices, but did little to make life easier for card users. American Express bypassed the cost to customers itself by paying a fixed fee of US\$6 per check; which also allows for "direct purchase service" to their cardmembers. That is a euphemism for being able to use the American Express Card for direct payments, without the complications of the "cash advance" system.

Financial Service Seminars Richard Weden is a builder. In the most recent issue of *American Express News*, a members newsletter published in Hong Kong, he is quoted as saying, "I consider my job to be one of building local operations that can be

run by local people; of conducting American Express operations in a way that is locally meaningful. In that way when I move on, I can leave behind me a bit of philosophy not just about American business, which allows for a contribution to the country and its people."

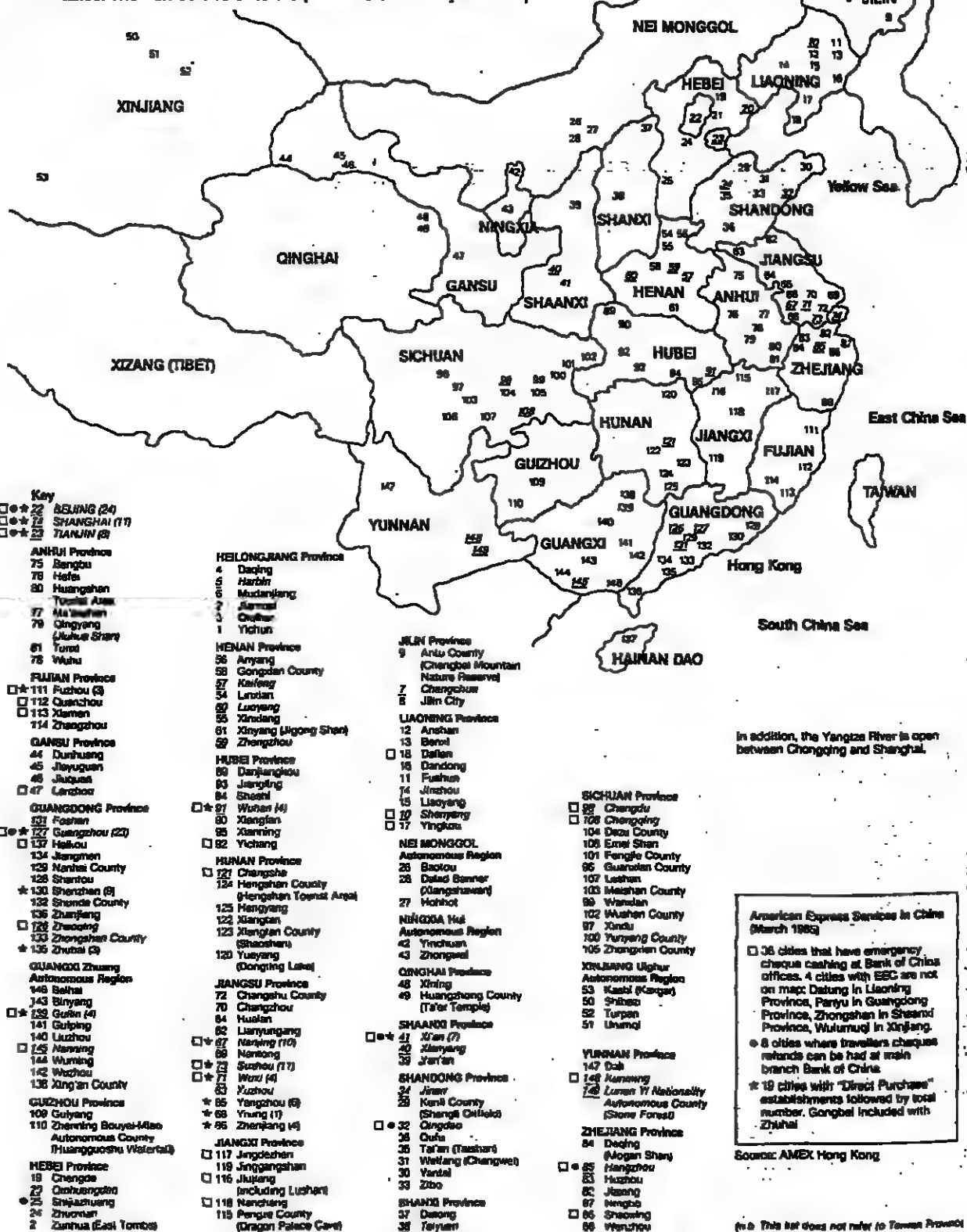
Acting on his belief in developing local talent, he hired the former director of the extramural education program at Hong Kong's well-regarded Baptist College, Thomas Lok. Lok is now the director of American Express operations in Beijing. Putting an educator in the driver's seat was preparation for the seminars series that began in August 1984. So far four have been held in Guangzhou, Wuxi, Suzhou and Shanghai; attended by about 450 people. Those that relate to affiliate feature little signing ceremonies at the end with presentation photographs of managers from new service establishments.

The seminars are the basis upon which Weden claims "We are in the forefront bringing the very concept of financial services and philosophy of credit cards China. We pay their expenses to attend these sessions. We have invested the money at the time for this and are definitely the leaders here." Seminars are critical adjuncts expanding card acceptance since all such agreements are signed in conjunction with local branches of the Bank of China and administered

Continued facing page

China's Open Areas

All foreign visitors to China require visas to enter the country. The following 149 places are 'open' to foreigners and all require travel permits except those thirty in italics. The numbers refer to the positions on the adjacent map.



CHINA TEA & COFFEE

The following kinds of products are being handled for export by us, the Guangdong Tea Branch:

Black tea, green tea, scented tea, oolong tea, pu-erh tea, beng cha, tou cha, fischee black tea, rose congo, kooloo tea, the well-known tea, canned drinks and a variety of teas in small packages. Each of these items has its own special characteristics and is welcomed by consumers both at home and abroad.

We are also specialized in handling the import and export business of coffee and its products.

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IMPORT & EXPORT CORP. GUANGDONG TEA BRANCH
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Aerospatiale Helicopter Market tied to Offshore Oil Finds, Technology Transfer, and Direct Sales in China

"Although Aerospatiale will likely sell some inter-city commuter helicopters in China's current expansion," says Henri Vernazobres, their Far East and Australasia Representative and Petroleum Industry Co-ordinator in Hong Kong.

For that reason, he is closely watching the build up to a new round of bidding for offshore oil contract concessions in the South China Sea, expected by the end of 1985 or early next year. China is among the world's largest oil producers and is a net oil exporter. However, its onshore oil production peaked in 1980 and the government has since placed great emphasis on attracting foreign investors to participate in exploration and development of offshore oil reserves. According to a recent Citibank report on investment, the China National Offshore Oil Corporation had concluded 18 oil exploration contracts with 27 foreign oil companies by the end of 1983.

So far, finds of commercial quantities of gas by ARCO and oil by TOTAL are the only successes of note, and gas is notoriously expensive to bring out and export. There is consequently a real question as to how many operators will want to undertake the search for resources in the next round of bidding. Vernazobres explains that shares in a concession are spread and it is the

number of vehicles needed and their size or flying characteristics. For instance an oil company may want a large capacity helicopter as a fall-back against having to evacuate its men in bad weather areas, though the rig may not be far offshore and could normally be serviced by a smaller aircraft.

Helicopter services to oil companies are provided in co-

operation with the Civil Aircraft Administration of China (CAAC) in Guangzhou and the Zhuhai oil base and with the China Ocean Helicopter Corporation in Shekou, part of the Shenzhen Special Economic Zone in the south.

"CAAC and COHC have branches all over China," advises Vernazobres, "but they operate under different names and keep changing the names all the time." Vernazobres, who has worked on the civilian side of the Aerospatiale market for about four years and has been in Asia for 14 years, also notes that decentralization of CAAC has made dealing with China more complicated. "In the past it was easy. You dealt directly with CAAC. Now the province will decide its need but the final decision still

helicopter sold since 1967 has led to over 100 Chinese technicians being trained at the main Marignane plant near Marseilles airport or the La Courneuve helicopter blade plant near Paris.

"Those helicopters delivered in 1967 are still flying," notes Vernazobres, who adds that this means more as a testament to the original 15 Alouette III seven-seater helicopters than it would if they were aircraft, which generally require less maintenance. "In a helicopter, everything moves, so there is more wear."

In 1973, more direct sales were made, this time of 13 Super-Frelon models with three engines and long range. In 1980, besides the Harbin agreement, three Lama SA315 five-seater helicopters were purchased by China. This unique aircraft set a world altitude record of 12,440 meters and is capable of lifting more than its own weight. It's a workhorse vehicle popular for cargo sling operations, characterized by excellent high altitude and hot atmosphere performance. In 1984, six AS332 Super Puma models were purchased. These large vehicles are popular for corporate travel and transport of officials. Spare parts warehouses are kept in Hong Kong and Singapore and Aerospatiale keeps a French engineer in Beijing on call for after sale support.

Peninsula Group promises Global Standards for the Garden Hotel

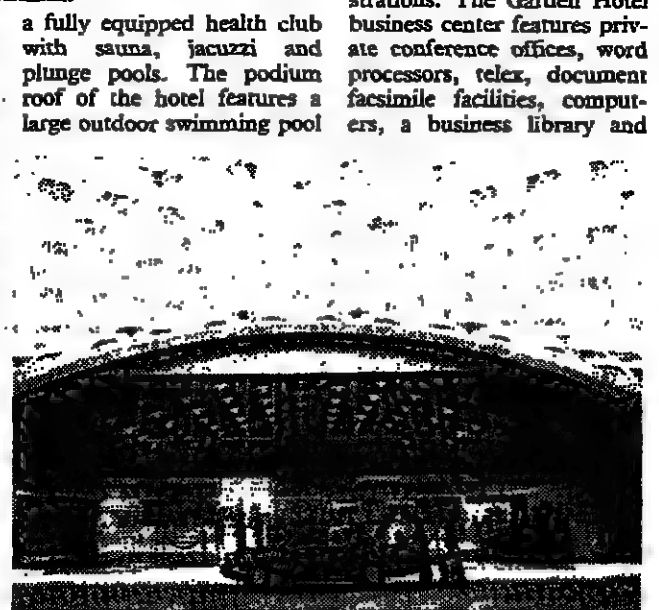
Late last year the Peninsula Group undertook to bring international management and service standards to the 24-storey Garden Hotel in Guangzhou (Canton). In a joint venture agreement with Guangzhou Lingnam Investment Company and Garden Hotel Holdings (HK) Ltd, this 'city within a city' aims to become a primary venue for business travellers to Spring and Autumn trade fairs, as well as overseas residents based in Guangdong to support new 'open door' investments like development of South China Sea oil exploration support bases in nearby Zhuhai.

The Garden Hotel and adjoining 17-storey office and apartment block are set in their own landscaped gardens, and the 24-storey hotel has been designed to provide both the guests in its 1,147 rooms and expatriate residents a self-contained service and leisure center in China. Food and beverage outlets range from a revolving restaurant at a height of 90 meters over Guangzhou, "The Carousel", to an unusual collection of small food stalls clustered along an artificial lane called "Lai Wan Market" and serving Southern Chinese specialties and snacks. There are 15 restaurant outlets in all.

Leisure facilities include international standard tennis and squash courts, due for completion late this year, and

and children's wading pool.

Also under construction are a conference hall of 1,580 sq/m that can accommodate up to 1,400 delegates theater-style, with simultaneous translation facilities and full A/V support systems. The new area will also lend itself well to exhibitions, banquets, stage shows and other demonstrations. The Garden Hotel business center features private conference offices, word processors, telex, document facsimile facilities, computers, a business library and



Elegantly covered entrance to the Garden Hotel in Guangzhou, which is managed by the Peninsula Group of Hong Kong.

multi-lingual secretarial services.

Already managing one of the world's great hotels, The Peninsula Group recognized early on that high standards of facilities without related service quality were a waste of money. To overcome the problem, they devised an extensive training program for their 2,000 locally recruited staff.

Increasingly, new Guangzhou hotels have celebrated the merging of Western modernism with Oriental themes in their lobby decor. The lobby of the Garden Hotel, designed by architects W. Szeto and Partners of Hong Kong, is a sculptural marble showcase of mammoth proportions - 80 meters long and nine high - that pays tribute to China's most famous literary classic, *The Dream of the Red Chamber*, on one side of its luxuriant entranceway, and to the agrarian life of Hainan Island on the other.

Members of the Foshan Arts and Crafts Institute were commissioned to depict a scene from *The Dream of the Red Chamber* in black marble transported from Shanghai. The scene is described with incised gold leaf. Hainan's simple agrarian lifestyle is contrasted in blocks of white marble. To complete the sculptural gallery, the city's official flower, the pink kapok tree, is carved in relief on white marble at the far end of the lobby.

Retailing, Containerisation, Trading and a patient, long-term approach to China...

Hutchison has prospered in difficult economic times by doing well what we know best

Hong Kong has shaken off the uncertainty of world recession and exports, once again, are on the increase. Over the past two years we've actively participated in this growth. For example, we handled over 43 percent of Hong Kong's container traffic through our container terminal at Kwai Chung.

Retailing & trading

Meanwhile, many Hong Kong consumers wanted an alternative to traditional family stores and street markets. Hutchison's A.S. Watson Division was positioned to accommodate. The Park'n Shop supermarket chain is now the largest in Hong Kong. Watson's retail chain (chemist and personal products) is also the largest of its kind with 30 outlets.

John D. Hutchison Trading Group is another Hutchison enterprise that has done exceptionally well. With products such as Cadbury's, Kellogg's and Nike sportswear, every Hong Kong household uses at least one JDH product every day.

Growth & profits

Knowing the right moment to act and

steady, sensible growth has helped us to profit even during the unsettled property market of the past two years.

China trade

Hutchison is increasingly involved in business with China. We have offices in Beijing and Shanghai and we're steadily building our commercial ties with most of the China State agencies. We know the prospects of business with China offer great potential, but care, patience and a clear understanding of China's priorities are prerequisites for success.

If you're looking into Hong Kong or China, it would be worth your while to take a closer look at Hutchison.

Write for more information

For more information on Hutchison, please write to us on your letterhead. We will send our latest Annual Report plus more information on any other aspect of our operations that you designate. Write: Hutchison Whampoa Limited, Corporate Information, 22nd Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.



We're more than just managing in Hong Kong

Continued from previous page

AMEX Financial Services

through their International Division headquarters. That means both local bankers and business managers must understand the credit card concept for the program to work.

Service Establishments

The payoff is that, according to Weden, American Express has easily double the number of service establishments of any other card in China. "About 75% of all people who come into Hong Kong are clients of ours in one way or another. I imagine the same is true in China," he surmises.

Weden outlines the current services available (as at mid-March) and notes they are operated in a cooperative arrangement with the Bank of China. These are some commonly available elsewhere that are not yet open to cardmembers in the country:

1. Emergency check cashing is available at Bank of China offices in 36 Chinese cities (see map).
2. Travelers' check refunds are available at the main branch of the Bank of China in eight cities so far: Beijing, Tianjin, Shanghai, Guangzhou, Hangzhou, Qingdao, Shijiazhuang, and Xian was signed on this month (see map).
3. Mail pickup services at the Beijing office.

4. Emergency card replacement at the Beijing office.
5. General tourist and business information assistance, Beijing.
6. Reservations booked (only in some cases).
7. No airline confirmations. Right now all must be made through CAAC, which is not yet affiliated for card acceptance.

"Direct purchase" service establishments existed in 19 Chinese cities according to a list released by American Express Hong Kong in mid-March. They are weaker on hotels than might be expected, which Weden explains with the example of Shanghai - a key city from his view and one where major hotels such as the Peace or Jingling still do not take the card. "They see no need for giving discounted rates to the cards when they are always full. They do not yet see the card as an expected service by business people and travelers."

In Beijing he notes that there remain four joint-venture hotels currently not accepting the card, but he expects that to change within a month or two. As of March, American Express was accepted in one or more hotels in 14 of the 19 cities; about 35 altogether. The overwhelming majority of service establishments are either showrooms or factories

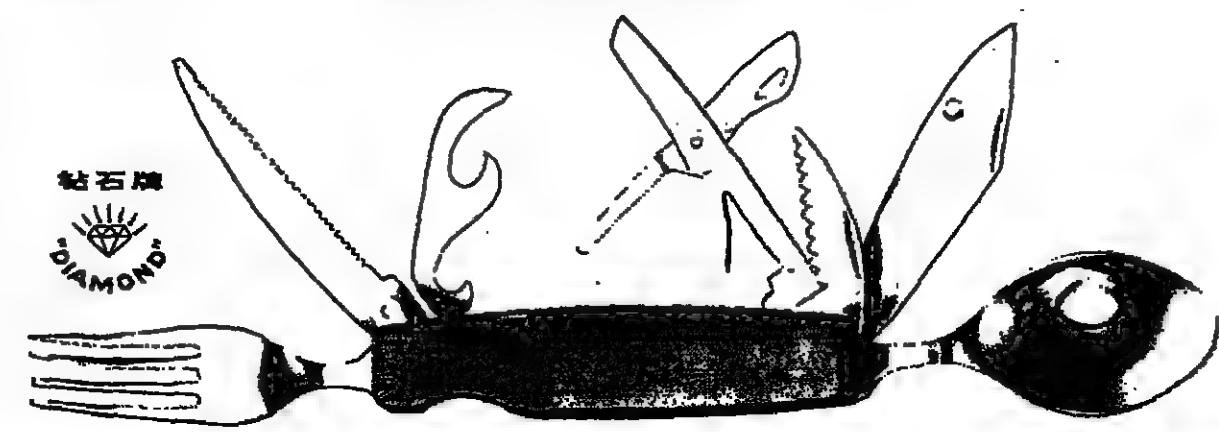
for arts, antiques and crafts or carpets; over 70 in all.

Office Expansion

"As China opens with more airlines, hotels, tourist places, our office has more requests to handle an increased number of tourists and to offer services within China. It is now more a link to achieve tours than a direct tour operator." Weden wants to expand the office capacity in Beijing by moving from the present room on the 15th floor of the Peking Hotel to, "maybe the mezzanine area; which would give it greater size - and then staff it with both local Chinese and experienced American Express personnel."

He adds that, "We can't just think of Beijing. We also have office plans for Shanghai and maybe in Guangzhou, and are seeking government approval at present. We may have to go into some type of joint venture. We hope to have a company office in Beijing and then have American Express approved service-office relationships in Shanghai and other key cities."

New service establishments are being added daily and it is clear that Richard Weden and American Express see the People's Republic of China as a great bountiful wilderness of potential cardmembers, service establishments and users. It needs only to be tamed and taught the benefits of plastic over paper cash before it can be tapped.



FAMOUS SINCE 1900-THE YANG JIANG KNIFE

Yang Jiang knives have been produced in Guangdong Province since the turn of the century.

They have become a household name in China for sharpness, durability and good looks.

Originally produced by hand, Yang Jiang knives are now machine-made but the same pride in craftsmanship continues in the manufacture of the "Diamond" brand of Yang Jiang knives.

Over 200 different "Diamond" knives are available in stainless steel, or electroplated steel. They

feature many varieties of handles including wood, aluminium and plastic.

"Diamond" brand Yang Jiang knives - sold in more than 42 countries around the world.

Please contact us for more information.

CHINA NATIONAL LIGHT INDUSTRIAL PRODUCTS IMPORT/EXPORT CORP., GUANGDONG BRANCH, 2, Qiao Guang Road, Guangzhou, China. Tel.: 31959-25 Cable: INDUKT GUANGZHOU Telex: 44447 KUPC CN



Guangdong CNLIP markets Diamond Knives Overseas

Guangdong's branch of the China National Light Industrial Products Import and Export Corporation means to put a 'Diamond' in the pockets of new overseas customers — a 'Diamond' (Yang Jiang) brand knife. Over 200 types of knives are produced by the branch in an industry traditional to the province, but which has been adapted to machine production.

Their emphasis is now aimed to compete in markets dominated by the classic "Swiss Army Knife" and its imitators with variations on pocket or camping knives that fold closed. However, the company has produced knives

since the turn of this century and offers a wide range of products, such as hunting and kitchen knives. They come in stainless steel or electroplate and handles can be wood, aluminium, plastic, etc.

The fact that their knives

can hold an edge is demonstrated by their ability to still be used as a shaving blade after slicing a coin into halves, say company spokesmen. Quality and competitive pricing have already led to demand for the 'Diamond' knives of Guangdong in 42 countries in Europe, the Americas, Southeast Asia, and Africa.

CNLIP is still directly regulated by central state planners and its eight divisions are situated

throughout the province and employ tens of thousands of workers — most often in very small production teams. They are anxious to import modern technologies for the reason that current methods keep outputs low though the branch enjoys a huge market penetration. Beyond the odd items like plastics and steel sheets, raw materials are supplied locally.

Bonuses

The impact of new open door policies is expressed in new wage systems and wider overseas participation. Bonuses are given and some workers measure their monthly pay in the hundreds of Rensminbi. This remains considerably lower than comparable workers in Hong Kong, Singapore, Taiwan or South Korea, but spokesmen claim it is for the moment the success of financial incentives rather than such relative dollar amounts that have improved efficiency.

Opportunities

All eight of the branch divisions are keen for overseas involvement, which offers opportunities to the small and medium investor, such as a German company that is involved in a cooperative venture to produce a barbecue oven which burns wood fuel rather than gas or requiring electricity. The divisions are: Large and Small general merchandise departments; Stationery, Musical instruments (Chinese and Western), Sporting goods, and Paper; Plastic products (including toys and plastic utility items); Household construction products (including wallpaper and carpets); Household electrical appliances; Shoes (mainly of rubber and cloth for light uses); Suitcases and handbags.

China Trade

Consultant with offices in H.K. & Guangdong. Fluent in Eng., Cantonese & Mandarin. Extensive connections in trade and industry in China. Principals in U.S.A., N. America, Europe, Middle East & Asia are invited to submit details of projects involving China trade/investment to Robert Lee, Managing Director. P.L.C. Services 1323 Thomson Comm. Bldg., 8 Thomson Road, Wanchai, Hong Kong.

PIA counts its China Service a High Point in its Growth

It was the proudest moment in the history of Pakistan's national carrier when its Boeing 720-B landed at Shanghai airport, commencing a regular weekly service from Karachi to Canton (Guangzhou) and Shanghai in April 1964. PIA was the first IATA carrier and first airline of a non-communist country to touch down on the mainland. The People's Republic of China has opened its doors to the outside world on the wings of PIA.

Thirty-one years ago in 1954, a passenger airliner carrying the flag of the sovereign state of Pakistan swept into the clear blue sky over Karachi. It was a green and white Lockheed Super Constellation. The flight — the first ever non-stop Karachi-Dhaka service — signalled the birth of PIA, a landmark in the aviation history of Pakistan.

Today, Pakistan International with a fleet of 32 of the best available aircraft in the world, ranging from the ever useful F-27 to the giant Boeing 747, transports over 10,000 passengers and tons of cargo every day, touching 38 international destinations in Asia, Africa, Europe and North America, besides 24 domestic points.

PIA today wears a modern look and intends to keep it so, looking into the future with humility, hope and aspiration. To survive and succeed in the tough, fast-moving and fast-growing world of commercial aviation, we depend as much on enterprise as on innovation.

At a time when many international airlines have been losing money, PIA continues to expand both in terms of fleet and routes, adding new destinations to its network, increasing its revenue and posting greater profits.

PIA has nearly doubled its revenues and brought about a tenfold increase in profits from Rs.70 million in 1980-81 to the Rs.700 million it achieved in 1983-84.

Will to Succeed

From 1954 to 1985 is a story of three decades of relentless effort, imagination and enterprise reinforced by a

commitment to excellence and a determination to succeed. The airline today symbolizes Pakistani enterprise and reflects a dynamism that is the pride of Pakistan.

Profitability, though very welcome and essential for the survival and growth of an airline, however, is not the only consideration in PIA. Being a national airline, PIA is ever mindful of its role in the development of Pakistan.

Be it linking of remote and inaccessible coastal towns or providing the life-line to the snow-bound Northern Region, be it the induction of modern technology in Pakistan or the introduction of Pakistan skill and enterprise abroad, PIA has never failed to spread its wings.

Having set the trend for modernisation in Pakistan, PIA has kept pace with technological developments in the industry, achieving many a first on the way. PIA today is the first Asian airline to order the brand-new Boeing 737-300.

Over twenty years ago, PIA became the first non-communist airline to fly to the People's Republic of China — not merely another PIA landmark but a major international aviation breakthrough, the opening of China.

And 16 years ago, PIA helped bring about another international breakthrough — the first major contact between the United States of America and the People's Republic of China. Cloaked in

absolute secrecy, a PIA Boeing flew Dr. Henry Kissinger from Islamabad to Beijing. That was history in the making again.

PIA, does not rest on past laurels. There is a continuous effort for the better. Effective management, always of special concern to an organization with the scope and size of PIA, is currently under scrutiny again.

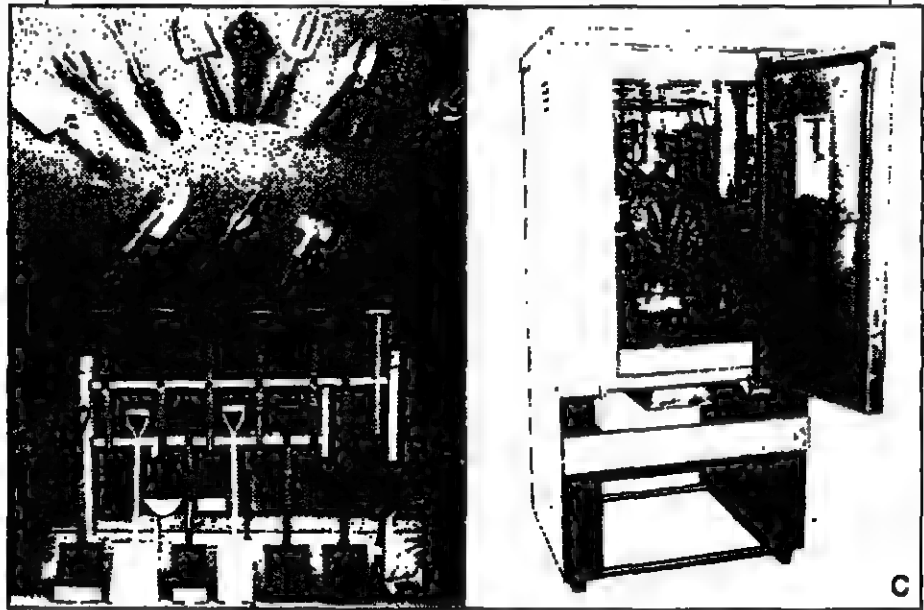
The airline's steadily improving performance since mid '81 is an indication that administration has been geared up and the whole complex organization is functioning more smoothly.

On the international scene, PIA are looking towards and working for greater cooperation and coordination between not just the Asian airlines but the airlines of all developing countries. On our part, PIA has helped train airline personnel from many developing countries and continue to do so at our modern training centre.

Wherever possible, PIA will try to meet the needs of developing airlines for skilled technical staff. This is in addition to the training PIA provides to their employees at all levels.

In a world where size matters, the operations of airlines of developing countries based on a pooling of resources present a great potential which, if exploited imaginatively, could open up new vistas of growth and expansion.

MACHINERY From Guangdong CHINA



A. Orchard Tools B. Steel Shovels With Handle C. Roasting Oven Model HL-25

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Medical Supply Branch of Guangdong CNC goes Independent

Spokesmen for the Medical Supply division of Guangdong's China National Chemicals Import and Export Corporation branch said that as of 9th March they have been established as an independent trading entity due to their increasing importance and size. The division is presently broken into four departments: patent medicine, pharmaceuticals, medical equipment and clinical supplies.

The medical supply division is a trading and manufacturing operation, but does no research of its own. It does influence the direction of research, however, as the organization responsible for marketing and commercializing laboratory products.

The medical supply division has nothing to do with Chinese traditional herbal medicine, spokesmen caution. It is rather a modern pharmaceutical house that handles about 11 categories of prepared drugs such as antibiotics, sulfonamides, antipyretics and analgesics,

vitamins, sedatives, biochemicals, steroids, and special feed grain chemicals, etc.

Products currently in high demand are Hesperidin Methyl Chalcone, derived from mandarin oranges. It is believed to prevent high blood pressure, arteriosclerosis, scurvy and nose haemorrhage. Division spokesmen note that, according to the literature of other countries, it can also help in the prevention of gastric ulcers, treat the symptoms of dropsy, and some allergies. It is also an ingredient in certain medical cosmetics.



Testing Laboratory of Guangdong's China National Chemicals Corporation.

The China National Chemicals Import & Export Corporation was founded in 1950. It is the first import-export corporation to have been established in the area of south and central China, with its head office in Guangzhou. Besides exporting pharmaceuticals CNC Guangdong handles over 100 individual chemicals and has

about 10 products in rubber and latex line of goods, including various kinds of hoses, working gloves, rubber car mats, etc. It imports chemical materials, pigments, dyes, reagent chemicals, pharmaceuticals, medicines, medical instruments and supplies, rubber products, plastics and agricultural chemicals.

THE JIANGUO HOTEL BEIJING



Peninsula Group hospitality awaits you in the fabled City of Beijing.

The Jianguo Hotel.

In just two years, The Jianguo Hotel has become the most respected international hotel in Beijing.

It's managed by one of the world's leading hotel operators, The Peninsula Group, which means the finest rooms, service and restaurants, and easy, efficient bookings from anywhere in the world.

For reservations: Contact your travel agent; The Peninsula Group, Hong Kong

tel: 3-7225771 or 3-682335, telex: 34064 PENGPF HX; The Jianguo Hotel tel: 22439 JGHB CN; any Cathay Pacific Airways office.



The Peninsula Group Fulfilling the promise of the Orient

The Peninsula Group of hotels are located in Hong Kong, Singapore, Manila, Bangkok, Beijing and Guangzhou.

Austria's Voest-Alpine pursues five major Far East Markets

Voest-Alpine AG Finalindustrie, the finished products division, is known mostly for its processed steel products. Its production in the 1970s was redirected from medium and heavy machinery towards precision and automation engineering and a concentration on five major areas in Far East markets: hydro-electric power plants, mining, transport and handling equipment, machine and precision technology, oil and gas field equipment, machine and precision technology, oil and gas field equipment and services.

In the hydro-power area, the Voest-Alpine bulb turbine has wide appeal for use on river power stations due to its combination of high efficiencies, short construction time, and relatively small size — which enable the building of smaller powerhouses for the countryside.

Power station components from Voest-Alpine are already in use in the Philippines, India and Taiwan. Components and complete stations have been sold to the Philippines for its Magat River Project at the Agus I station and the Maramag-Pulangi IV station on Mindanao. In India, they have provided the mechanical equipment for the Pancher Hill pump storage station and components for Taiwan

hydro-power stations. Austria has a long history of mining and in the production of associated equipment for both tunneling and open pit operations. Valuable lessons learned in developing their own difficult to reach deposits have been the basis for creating high standards of mine products, service and engineering. For instance, their AM 50 Alpine Miner, one of four in series, is a selective

cutting machine designed for operation in medium hard rock up to an unconfined compressive strength of about 11,200 psi. It can excavate a wide range of rock formations encountered underground and has been used in both mining and construction industries.

Transportation of heavy materials is a standard requirement of the mining industry and Voest-Alpine has developed automated conveying and handling installations based on its own experience in mining and steel plants. Automation has also played an important role in the development of their machine and precision technology. For over 30 years they have manufactured tool machines for both cutting and non-cutting applications. By using module-type construction tied to highly computerized hierarchies of controls, Voest-Alpine engineers claim to have found the answer to batch production of discrete parts that has always eluded continuous flow product fabricators like carmakers. Their "factory of the future" is built upon unmanned third shift operations, for instance — the infamous "graveyard shift" made a thing of the past.

Nuclear reactor components and other equipment for nuclear and conventional

power stations are the specialties of the company's steel and apparatus construction department — the largest of its kind in Austria and among the best known in Western Europe. Their seven major markets are defined by their high stress conditions and related safety concerns: conversion plants, heavy oil hydration, methanol plants, ammonia plants, coal upgrading plants, conventional and nuclear power stations, and any plants with high temperature and pressure requirements.

Through its VEW subsidiary, which produces the SBS brand of oilfield equipment, Voest-Alpine has 30 years of experience in the oil and gas industry. They also work in cooperation with OMV group, the fully integrated oil, gas and petrochemical group of Austria, to provide well-head equipment such as high pressure valves. Voest-Alpine's long-term strategy is to combine Austrian experience with technology from the United States and they already have joint manufacturing agreements for built bits, electric submersible pumps and complete drilling rigs. Related services include the provision of petroleum engineers for consulting on production and reservoir engineering problems.

Beautiful Porcelain and Pottery from China

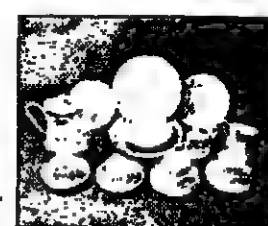
For over one thousand years the area of Guangdong Province has been famous in China for its porcelain and pottery.

Guangdong Ceramics Company is a trading and manufacturing company which is responsible for research, manufacturing, domestic sales and the export marketing of ceramics products from Guangdong Province.

Available for export are: ceramics for daily use; art pottery and porcelain; garden items, and building as well as industrial porcelain products.

Guangdong Ceramics Company is also interested in the importation of technical materials for ceramics, fuel, equipment and appliances related to the production of ceramics.

For more information contact: GUANGDONG CERAMICS COMPANY No. 57, Zhongnan Road, Guangzhou, China. Cable: CERAMICS GUANGZHOU Telex: 44269 GDCCO CN



هذا من الأصل

Hutchison looks to build a China profit Center

ONE of Hong Kong's most profitable trading houses is poised to expand into China during the next few years.

Hutchison Whampoa Ltd (HWL) has been involved in the growing China market for several years and the confidence engendered by the success of the 1997 agreement has encouraged its Chinese ambitions. As Hutchison Group Managing Director Simon Murray is quick to point out, the Hutchison China Trading Division has undergone a dramatic expansion since Simon To was appointed Managing Director in 1980. "We now have 42 people in Beijing, Guangzhou, Shanghai and Hong Kong who are actively involved in seeking opportunities and participation in group members and their agencies," Murray explained. "They're also acting independently to develop two way trade and investment opportunities between China and the industrialized world on their own account."

In order to meet the diverse demands of the Hutchison group divisions while simultaneously concentrating building up China trade as a profit center in its own right, Simon To has split his company up into Consumer, Construction, Industrial and Energy/Airport/Hotel Services divisions.

"The first three divisions concentrate on handling such things as Chinese canned food products, the manufacture of ice creams in Shanghai and the importing of steel for marketing in Hong Kong," explained.

While this is obviously a key element of the China Trade Division's business, the rapid development of the HWL Group's own expertise in the China market opens the way for HCT's expansion.

"We've already made some very satisfying gains in several areas and have won contracts for supply of shore logistical support items and technology to the Chinese coal industry," To stated.

The Aviation division presents agencies such as Lockheed Georgia, Aerospace Helicopter Division, Dornier aircraft and MDX aircraft as well as leasing of Heli Union of France and Schreiner of Holland helicopters and STOL aircraft operators.

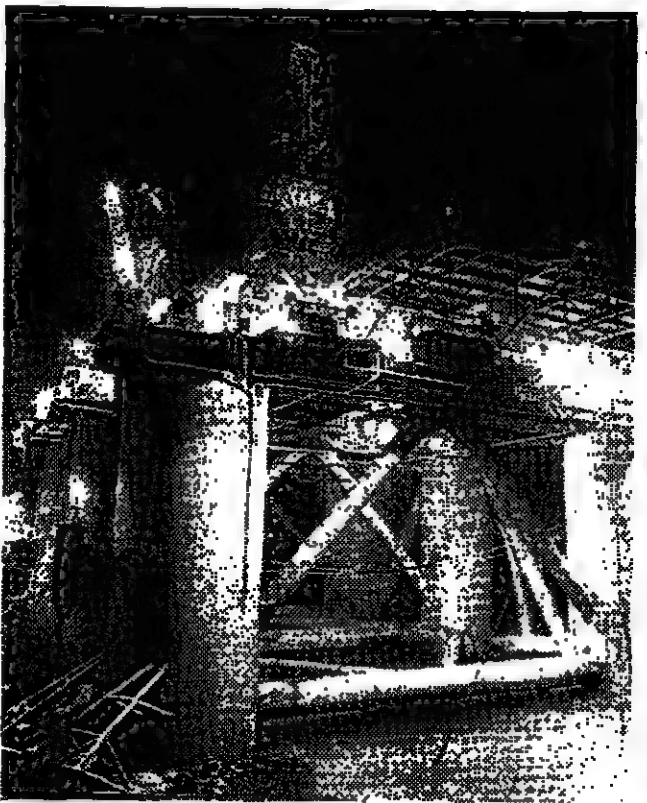
"We're also currently developing a joint venture air cargo company with AAC-Shanghai, Airborne MDX through the fruits of which we won't be seen for several years yet," To said. The Hotel Supplies department markets building materials, furniture, fixtures and equipment to hotels and office buildings.

"I think our investment in long term credibility through office expansion and an increase in personnel has already paid off," To added.

"The real profits will be made during the next decade. I believe our position as the only China trading company with strong Hong Kong

With more than 90% of its activity and its assets in Hong Kong, Hutchison has prospered during the past two uncertain years with post tax earnings now exceeding US\$120 million on a recurring basis.

"Although other trading companies have diversified



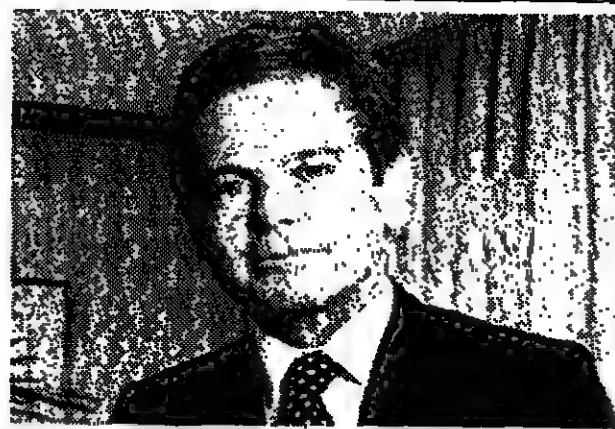
South China Sea Oil Rig, the Jim Cunningham, under repair at Hutchison's Hong Kong United Dockyards facility.

Photo: Hutchison Whampoa Ltd.

Chinese control will enable us to build on this foundation." While this ties in neatly with Hutchison's China philosophy of "specializing to build a reputation for professionalism in fields such as offshore oil services, aviation, industrial catering and engineering", it doesn't mean that the company is leaving Hong Kong.

geographically in the last few years, we've concentrated on our traditional businesses in Hong Kong and withstood the temptation to move offshore," Simon Murray noted.

Although HWL has no definite plans to invest in China, Hutchison's recent stock market activity will ensure that the Group



Mr. Simon Murray
Group Managing Director, Hutchison Whampoa Ltd.

continues to be securely based in Hong Kong. The trading concern successfully acquired 34% of Hong Kong Electric in a HK\$2.9 billion (US\$371 million) deal which provides the Group with quality recurring profits.

A steady performer whose consolidated group profit increased by 19% from HK\$782 million (US\$100 million) to HK\$934 million (US\$120 million) in 1983, Hong Kong Electric is expected to become even more profitable in coming years as economic recovery comes to the territory.

The electric utility also has mechanical engineering, property, retail, contract sales, export and ceramic divisions that complement Hutchison's own diverse interests.

"Many of HWL's operations will be strengthened by the acquisition of a significant share of a large, well managed and easily identifiable company such as Hong Kong Electric," Murray said.

Speaking of Hutchison Group's property division, Mr. Murray said, "The commercial areas of housing estates such as Aberdeen Centre, Hung Hom Bay Centre and Provident Centre which the group has developed, together with prime office and industrial buildings, provides a rental income of over HK\$300 million (US\$38 million) per year."

Recently the HWL Group confirmed a US\$400 million investment program for the redevelopment of the Hung Hom dockyard.

"More than 11,000 residential apartments will be constructed on the site over the next six years, which should provide a sound income on an annual basis as each stage is developed," Murray noted.

This expenditure is matched by the amount of investment Hutchison is

It's said that every household in Hong Kong uses some product handled by John D. Hutchison every day, many of which are retailed through the HWL group's A.S. Watson subsidiary.

HWL operates the largest chains of supermarkets in the colony through some 96 Park 'N' Shop supermarkets and 34 Watson's stores, together with a manufacturing arm producing soft drinks and foodstuffs. Watson's has already made a tentative move into China through the supply of beverages and ice creams.

Hutchison's quarrying interests are well established as a supplier of aggregate, asphalt and ready mixed concrete to the local construction industry.

"Unfortunately there has been a general down turn in the construction industry lately, but the company has secured long term contracts for such projects as the Mass Transit Railway system, which has enabled it to ride out the difficulties," Murray added.

Looking further ahead, Hutchison has made its initial foray into the hi-tech future through its investment in a new company, Hutchison Telephone Company Limited.

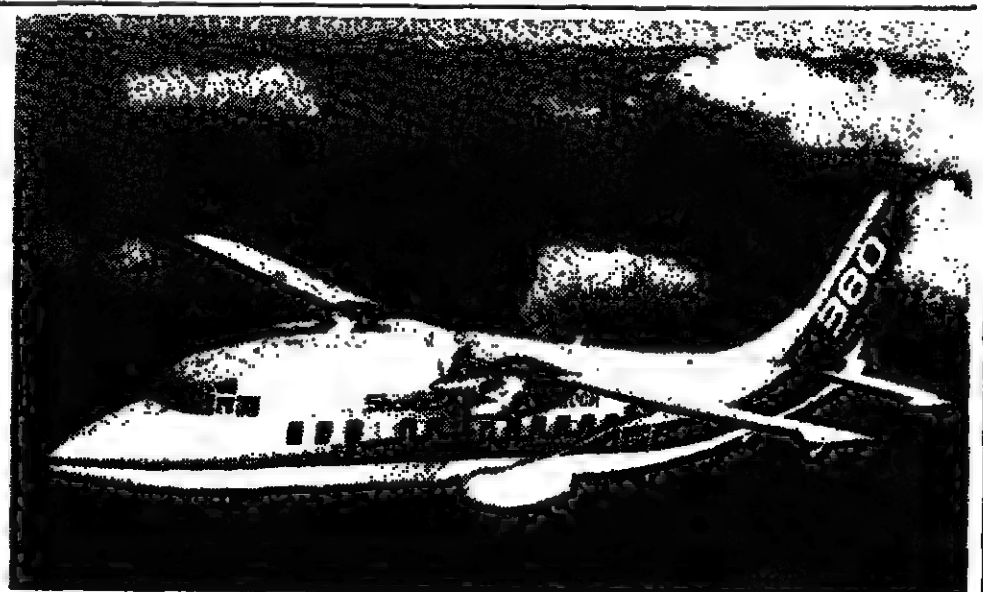
"It is a new venture with Motorola and Distacom Communications in which we have 51%. Hutchison Telephone will offer a public mobile and portable cellular telephone service to Hong Kong," Murray explained.

Add to this Hutchison's

substantial minority interests in Hong Kong's South China Morning Post Newspaper, and Sheraton Hotel, and a clear portrait of a solid, well managed and diverse group emerges.

"Our fundamental strength lies in our operational management at the working level and the group's adherence to the businesses it knows well in the environment it knows best," Murray concluded.

"Given this strength we can look to the future with great confidence, particularly in the Chinese market which is ready for business and whose open door policy has provided a welcome incentive for Hong Kong based traders such as ourselves."



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"Black Tea" Growers increase efficiency with "Big Leaf" plants

The "Black Tea" of Guangdong Province has been as loved to Western tastes, since the mid-17th century, have the export porcelain cups from which Europeans sipped its brew. Guangdong's warm climate and relatively low elevations have made it well-suited to meet the demands of an international market for as that take milk well and are full-bodied. Besides processing teas grown in the area, Guangdong growers handle the Yingteh Black Tea of Yingbe county to the north and a black tea from Hainan Island to the south.

All the tea in China is the same, until it's processed. Samplers talk like vintners when they start to describe

the subtleties of their products, but there are three basic teas that result from controlled drying and

fermentation: green, oolong and black. Broken Orange Pekoe is a fine cut black tea that has become a Western standard. Guangdong's gardens growing this variety have a picking season from March through to late October. Cooler northern areas get their first flush harvest in about April until late September, when the last and usually best harvest of the year is made. Picking in Hainan goes on 11 months a year.

Until the late 1950s, Guangdong specialized in small leaf exports of "Congou" teas. These fine tea leaves were once hand rolled and their name comes from a mispronunciation of the Chinese term meaning "much work". Less work for greater gains explains why provincial

growers have increasingly switched over to "big leaf" teas transplanted from Yunnan Province. They adapt easily and offer an excellent Orange Pekoe type tea. Growers claim they have enough "golden tips" to rate them among the world's best black teas, usually considered to come from places like Sri Lanka and India.

"Big leaf" tea leaves measure in at about 15 by 5cm when full grown, versus the tiny Congou leaves that may be only 5 by 2cm. Guangdong Province has long been a region pioneering the adaptation of Chinese products for export markets, and its tea growers have only naturally been the first to market their product in tea-bags for overseas sales.

Craftsmen put Plant Life to Work

China's largest maker of artificial flowers, the Guangdong branch of China National Arts & Crafts Import & Export Corporation, draws on its province's heritage for creating home decoration products from nature. Flowers in native silk, polyester and plastic require the sensitive transformation of floral beauty to the limitations of a production line.

Rattan furniture and household effects from andry baskets in the form of eggs to baby cradles have long been de rigueur among signers for the light tropical look. In south China, the summer sleeping mat and low are part of the countermeasures for keeping cool.

Grandmothers and aged ushers in Asia will also tell you that the older it is, the stier a rattan mat becomes. Western "Chinoiserie" in the 18th century would not have been complete without a cage for imitation bamboo. European designers struggled to get the look of this lost-honored Chinese tree to their native timbers, with varying success. Thomas Chippendale based many of his designs and decorative schemes on bamboo, as did any more furniture makers.

Bamboo has always held an honored place in Chinese society. Its qualities of simplicity and uprightness are considered the two most important attributes of the true gentleman, and the plant has long symbolized refinement and strength of character.

Palms were first introduced to Guangdong in the 4th century. They took root in Xinhui county which has since been known locally as "palm country". By tying stems and leaves together, dwarf palms are created to become the raw material for mats, hats, bags and baskets. Seagrass undergoes an extraordinary transformation in the hands of Guangzhou craftsmen. Woven, it makes an unusual wallpaper that has a natural feel and the advantage of sound absorbency. Its fine stems

make for tightly woven trivets and handbags. Most unusual, craftsmen of Dongguan, Shaojin, Zhiangang and especially Shantou - also famous for porcelain and lace - use of threads of colored straw to piece together small pictures that make use of the natural sheen and straw texture to imitate surfaces of leaves and bird's feathers. Colored straw is also used to make wildly colorful boxes

in the shapes of butterflies or with unusual landscapes and designs by methods reminiscent of folk artists in America who build cathedrals and the like out of wooden matches. To create these patterns and collage effects, each piece of straw is slit down one side with a razor, then soaked in warm water. After being ironed dry, the flat ribbons of straw are glued side by side onto a sheet of paper. These can be cut and shaped before being glued to a box to make an array of designs.

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Meridien Airport Hotel plays a China Card

Hong Kong has built its business reputation on being a compact city. For that reason alone, notes Michael Novatin, General Manager of the Meridien Airport Hotel, "an airport hotel is not needed just because of distance from town." It was the apparent contradiction of good business sense when the hotel was built 2.5 years ago that made it the butt of local jokes. "We were laughed at, pushed around and jeered at for building a hotel in a squatter area," recalls Novatin.

There are few things sweeter than the last laugh, and Michael Novatin has had it. His hotel runs at 90% occupancy 2.5 years after its opening, has what he claims is an 80% business traveler clientele with 1,200 commercial accounts and a ranking right after the Mandarin and

questions about traveling and doing business in China that we couldn't answer," says Novatin. First he brought in Riggs Business Service Centers to assist hotel guests and answer questions. Then he issued a small booklet, *The China Connection Directory*. Five thousand copies were

Michael Novatin intends to do with a floor of empty shopping center space in his hotel. The original owners thought there would be spillover shoppers from the airport.

A combination of over-optimistic rent rates, depressed property market and a resistance to leave the terminal on the part of casual shoppers left a lot of empty spaces in the Meridien Airport hotel shopping malls.

Why not create a China Trader's Center in the unused spaces, thought Novatin. So he cleared a budget of HKD 3 million to redesign the floor into private office spaces for rent. Riggs Business Center will be there, as will a small conference room, business center, exhibition area, medical clinic and health club. Facsimile machines will be available, popular for Chinese and Japanese languages as well as English, and translators will be on call for Mandarin and Cantonese requirements.

"By the middle of March, we will have an entire floor of this hotel completely converted and geared to the business market of China," claimed Novatin in a February interview.

Other Hong Kong hotels have built their business clientele on the garment trade in Kowloon and the financial center in Hong Kong's Central district. Meridien Airport Hotel means to look into the important business sector built upon China's "open door" policy by offering better access to the China trade.



View of the Regal Meridien Hong Kong Airport Hotel showing footbridge linking it to the airport, which features moving luggage racks and porters to eliminate the need for baggage handling by guests.

Regent among business-people.

Last year Novatin noticed that he had a high percentage of oil company staff and other China traders staying in the hotel. "They kept asking

gone in three weeks. It took no genius to recognize a pent up demand for information for China traders.

It does take a certain genius to turn a losing proposition around, which is what

Art and Automation meet in the making of "Chinaware"

Art and automation meet in the form of the Guangdong Ceramics Company. Under China's reorganized export business sector, the company has become an integrated trading and manufacturing complex that brings together everything from ceramic bathroom tiles to hand-crafted Shiwan pottery figurines still baked in a Song dynasty "Dragon kiln".

Guangdong Ceramics Company's unique brief is to keep one foot in the past, providing the needs of such artisan cottage industries. Its foot is planted firmly in the present, providing for automated manufacturing of dinnerware in up to 45-piece sets, outdoor ceramics for use in gardens and architectural applications, and industrial ceramics. Guangdong ceramics imports technology, fuel, equipment parts and appliances to feed these automated production lines which supply both domestic market and export requirements.

Shiwan

Shiwan is a suburb of the provincial capital, Guangzhou (Canton), and its sculpted ceramic figurines are among the premiere craft products of south China. Between the 9th and 13th centuries, Song dynasty leaders waged a running battle against conquest by the Jin kingdom, and were eventually driven to the far south.

Guangzhou

Best known in the West as products of "Guangzhou

Decor", as the hand-painted decorative dishes, teawares and vases of this provincial capital have come to be known. Decorative porcelain is a recent innovation by Chinese standards, created about 200 years ago during the reign of Empress

Yongzheng in the Qing dynasty.

What makes Guangzhou Decor so eminently decorative is that the painted enamel motifs are always enriched with gold lines, which gives them the look of tapestry. The effect is achieved by painting in fired porcelain biscuits with colour glazes and gilt followed by refiring to seal them, and the amount of gold used in a given design is an important price determinant.

Shantou/Gaopi

Shantou has been among the three great centers of ceramics for over 1,200 years, since the Tang dynasty. Since the 16th century, most production has come from

Fengxi, a suburban townlet in Chao'an county, for the simple reason that the major raw material of porcelain, high grade kaolin, is as available there as common soil. It is today a major center of underglaze blue-on-white reproductions in the Ming dynasty style and its own carved vases, which apply a repousse technique to create intricate woven patterns and figures reminiscent of lace into the body of porcelain vases.

Gaopi, in eastern Dabu county, is second only to Fengxi in the quantity of porcelain produced and its antique reproductions in the difficult to control underglaze-red technique are considered to be among the best of their kind in China.

China's first Western Secretary

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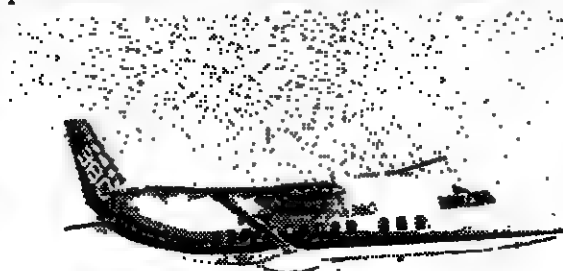


Shorts 360 Aircraft to be used in China's Air Transport Expansion

Short Brothers PLC, the Belfast aircraft manufacturer, has confirmed the signing of a contract for eight Shorts 360 regional airliners to be purchased by the Civil Aviation Administration of China (CAAC), with the possibility of further orders. The aircraft will be delivered this year and underscore Shorts' penetration of the Far Eastern market following successful use of the earlier Shorts 330 model aircraft in Thailand and the new 360 model in Malaysia.

China has ambitious plans for aircraft and air transport development and competition among Western companies after a slice of its enormous aerospace market is intense, which has made the sale all the more satisfying to this old and well-established aircraft company — the founders of which even produced biplanes for the Wright brothers in 1909. Today, its wide-bodied, 36-seat model 360 airliner has become a commuter airlines favorite in the United States and elsewhere.

Shorts notes a number of appealing features in their model 360 aircraft: Its purchase price is about 25 per cent less than its main competitors from Brazil, Canada, Sweden and Spain. Its turbo-prop engines exceed all international noise limitation requirements. It has the most



Eight of these Short Brothers Model 360 turboprop commuter airliners will be used by CAAC in the new economic zones.

fuel-efficient performance of any aircraft in its field. Because of it, the plane's break-even load factor beats the opposition with ease. Shorts claims some operators of the model 360 can make

money by filling as few as 13 seats, or one-third of the aircraft's capacity.

Successful

Model 360 entered service in December 1982 and has already been adopted by 20 airlines worldwide for short-haul service, wherein as many as 20 flights per day in all weather conditions may be operated, in a wide variety of environments. Ease of maintenance and quick-turnaround capability are required and it's likely that the record of the earlier model 330 influenced the purchase decision. That aircraft has

for use in some of the new areas of economic development around coastal cities and special zones in the south of China. A large number of commuter aircraft spanning the 40-150 seat range will be needed by the smaller regional airlines which are expected to spring up with the intended decentralization of CAAC already announced. The break-up of the state airline is expected to dramatically alter the course of aviation in China.

Tourism is increasing at exponential rates, as are the requirements for transport aircraft and those employed in resource development (e.g. forestry, crop spraying, mapping, remote sensing). CAAC reportedly operates 13 different aircraft types in 18 provinces just for resource development. Regional administrations may well want to update older aircraft types as well as expand operations; all of which bodes well for Short Brothers, whose rugged model 360 is built with a design objective to achieve a safe fatigue life of at least 40,000 flights and can be transformed from a passenger to cargo aircraft in as little as 25 minutes.

All of this translates to a large near-term demand for aircraft for which Short Brothers now enjoy an inside track in helping to fill.

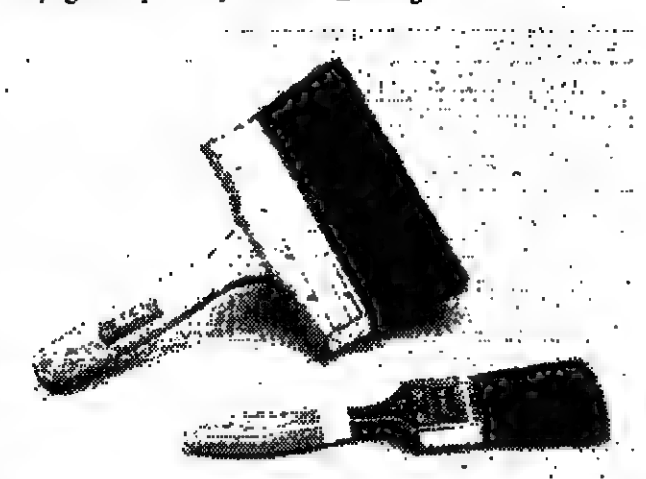
Guangzhou's Paint Brush business bristles

Although figures were not available, spokesmen for the Guangzhou office of the China National Native Produce and Animal By-products Import and Export Corporation claim they are doing a brisk business with their "three star" brand lines of paint brushes. Other product lines of the Guangzhou office, which takes pains to clarify that it is on an equal footing with the Guangdong provincial office of the same organization, include leather shoes, down and feather products, Angora white rabbit hair and leather garments, pig skin products, gloves and furs.

As explained by company spokesmen, the Guangzhou city office reports directly the Beijing headquarters, as does

the Guangdong provincial office of the same organization. Guangzhou is also the main source of materials, though some imports are rationed by the government, but company spokesmen maintain that there's never a shortage for production requirements. Major trading partners are in Hong Kong and Macau, but the pure Chinese bristle brushes of the Guangzhou office also are exported as far afield as the Middle East and the United States.

The company hopes to penetrate more markets and is currently looking for new partners to develop a leather factory and the production of handbags.

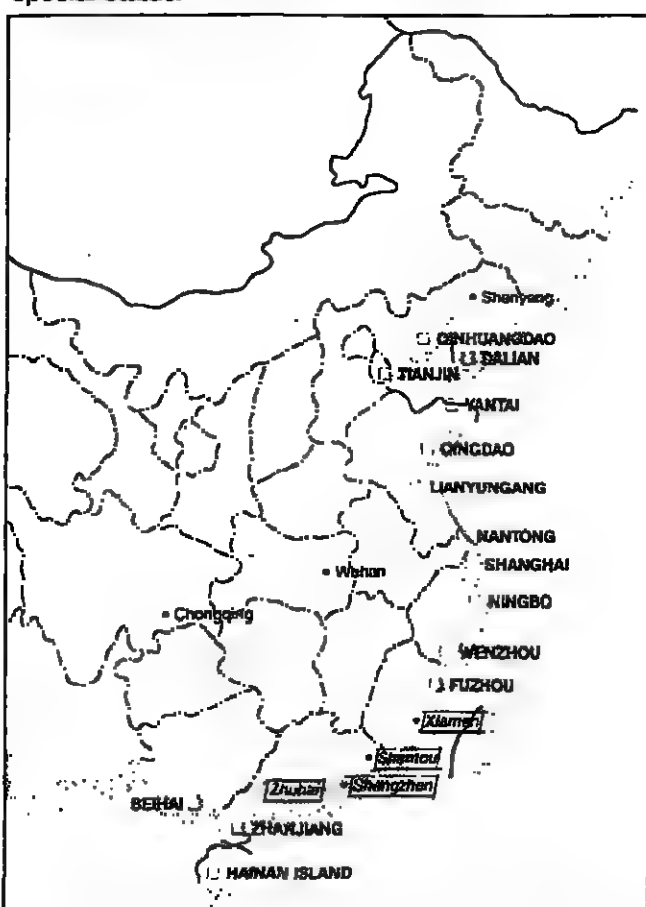


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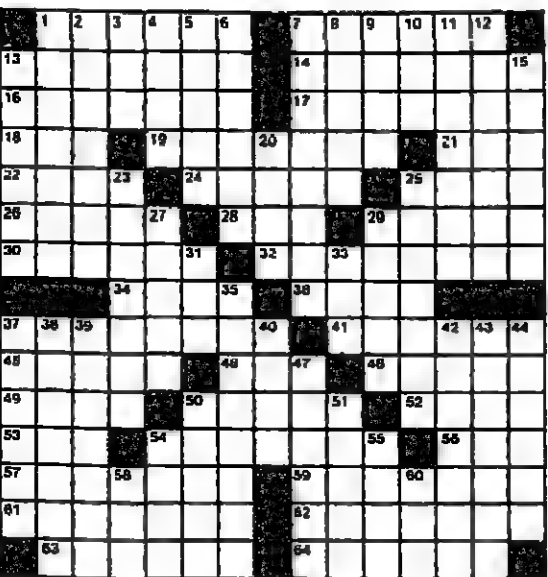
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9 Katarina—
figure skater
10 Chemical
suffix
11 Marley's
partner
12 Prickly plants
13 Suck together
15 Deadfalls
20 On which
noises occur
23 In a queue
25 Whence a
reliever comes
27 Played the
parade
29 Carlike fish
31 Recent: Comb.
form
33 Gift-openers'
sounds
35 Touches up a
Rembrandt
37 Golf-ball
ingredient
from the bully
tree
38 Howl
39 Nicholas II's
surname
40 Condemn
42 Exact
43 Solists
44 Alchemist's
alarm clock
47 Sounds
raucously
50 "—of robins
—"
51 "Maria—"
1933 song
52 Opposed, in the
backwoods
55 Asian border
river
56 Soul, to Simone
60 Kindled

© New York Times, edited by Eugene Malachuk.

DENNIS THE MENACE



LOTS OF OPPORTUNITIES FOR YOUNG GO-GETTERS LIKE YOU, MITCHELL... IF YOU'D MOVE TO THE BIG CITY.

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

ESTAC
TAGEA
DWEAMO
BRYCAB

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: _____

Yesterday's Jumbles: EMPTY NOBLE MARVEL PARADE
Answer: What the pillow fight in the kids' room looked like—"BED-LAM"

WEATHER

EUROPE HIGH LOW ASIA HIGH LOW

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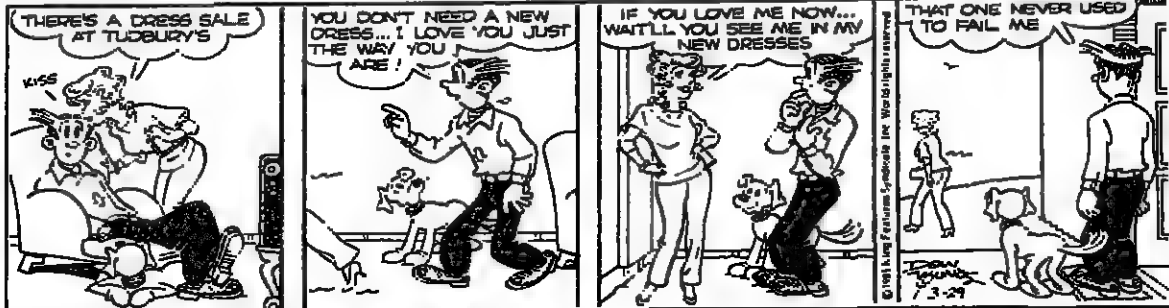
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PEANUTS



BLONDIE



BEETLE BAILEY



ANDY CAPP



WIZARD OF ID



REX MORGAN



GARFIELD



BOOKS

LITERARY CRITICISM: Essays on Literature. American Writers. English Writers. 1484 pp.

LITERARY CRITICISM: French Writers. Other European Writers. The Prefaces to the New York Edition. 1408 pp.

By Henry James. Edited by Leon Edel and Mark Wilson. \$27.50 each. The Library of America, 14 East 60th Street, New York, N. Y. 10022.

Reviewed by Michiko Kakutani

IN the right hands, Henry James believed, literary criticism could be a "supremely beneficent" art, but it demanded a rare "cluster of qualities"—curiosity and patience and "perception at the pitch of passion and expression." As he saw it, the critic should be "the real helper of the artist, a torch-bearing outrider, the interpreter, the brother," a kind of delicate tuning fork, keyed to pick up nuances of both beauty and craft.

Now, thanks to these two superb volumes, contemporary readers are afforded the opportunity to assess James's critical view—and the simple, sensuous pleasure of reading the master's improvisations on literature, American, English and European. The books have been published, with scrupulous attention to detail, by the Library of America—a brave, new enterprise, dedicated to issuing the works of prominent American writers in an authoritative form; and they contain a comprehensive collection of James's literary criticism, plus the 18 prefaces he wrote for the New York edition. More than a third of the pieces have never appeared in book form before.

In these essays, James illuminated his own writing process and the ideals he cherished as a novelist; his love of exactitude; his conviction that a story should be coherent in form, as organic as a living creature; his passionate belief that novels, like old-fashioned paintings, should try to represent life. As a critic, however, he tried never to impose his values upon the works of others; and he wrote, with admiration and perception, about talents as dissimilar as Dickens, Trollope, Hawthorne, Howells and Flaubert. He could delight equally, say, in Stevenson's "Treasure Island," with its "mirac-

ulous coincidences and buried doublets," and in the more "homely and prosaic" virtues of Goethe's "Wilhelm Meister."

James's abundant catholicity of taste reflected not only his deep reservoir of sympathy for others, but also an achieved philosophical position. He believed that the novel was the "most magnificent form of art," and that its magic derived from its elasticity, its radical freedom from definition. "The house of fiction," he wrote, has "not one window, but a million," and the only obligation, to which in advance we may hold a novel, without incurring the accusation of being arbitrary, is that it be interesting.

What James would not tolerate was the vulgar, the egotistical and the bogus; and when he suspected that a writer was not making the most of his gifts, he could be sharply dismissive. Reviewing Walt Whitman's "Drum Taps," he wrote, "to become adopted as a national poet, it is not enough 'to discharge the indigestible contents of your blotting-book into the lap of the public.' He complained that 'Les Fleurs du mal' revealed Baudelaire's 'inducible puerile view of evil—for him, evil 'begins outside and not inside, and consists primarily of a great deal of lurid landscape and unclean furniture.'"

For the most part, though, James was less interested in passing judgment on a given text than in using it to shed light on an author's overall achievement. He believed that a novel reflected "the quality of the mind of the producer," and he felt that critics had a responsibility to interpret a writer's inner life and public personality. As a result, his essays are filled with wonderful cameos—character sketches almost as vivid as those found in his novels. Kipling, for instance, emerges as a cheeky youth who "rushes about making people jump with the deep sounds, the sportive exaggerations of tones that issue from his piping lips," and Turgenev, as a "storyteller who has taken notes 'sur le vif.'"

The transactions between life and art continually fascinated James, and his biographical impulse led him, in these essays, to reflect upon the husbanding of material and talent and the consequences of environment, social and familial, upon a writer's sensibility.

In his book-length essay on Hawthorne, James spent a lot of time marveling at how devoid this author's life was of "social accidents" and "literary incidents." He discussed the narrowness of Hawthorne's life, spent nearly entirely in small New England towns; the unsophisticated appeal of his work, and the ways in which his innocent, yet self-conscious, temperament typified the native genius. It is almost as though James—like the hero of "The Jolly Corner"—was meditating upon a possible alter-ego, what he might have been had he stayed home and never gone to Europe.

In fact, the character of James so permeates these essays that the reader is left with an insistent after-image of both the writer and the man. His presence is there in the masterly style and the elaborate, supple prose. And it is there, too, in certain recurrent themes—the preoccupation with the United States and Europe, with women as heroines, and with what James called the "modern condition."

Michiko Kakutani is on the staff of The New York Times.

Solution to Previous Puzzle

FACT HART TROPE
CHER OLEG HOMER
CARE LAIN ETAPE
BOARDINGSCHOOL
TOO ASM
TEA OVEN BANEST
ATLE ELIS RAREE
SHIVERMETIMBERS
KNEEL SCAD SCAT
SONNET ERLE TIA
GEE ETC
BABEIN THE WOODS
ODORS HART VEER
LEANT EVIL ELLA
ESTES REED RIFF

3/29/85

BRIDGE

By Alan Truscott

ALMOST all experts would open four spades with the hand shown, prompted by the favorable vulnerability. This happened to be the wrong move for such action. The limit for such action is about one club, and North-South

31 Pretax P

Figure 6

Brainiff

[illegible]

A

1984

Balance Sheet

Circumstance	Percentage (%)
If someone is attacking you	85
If someone is threatening you	70
If someone is harassing you	55
If someone is insulting you	40
If someone is annoying you	25

Final remarks

1. The first part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

[illegible]

1990

...and the

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BUSINESS ROUNDUP

Standard Chartered Shows Rise in '84 Pretax Profit

Reuters
LONDON — Standard Chartered PLC reported Tuesday a pretax profit rise of 8 percent to £290.3 million (about \$334 million at current rates), but said net fell to £157.2 million (about \$182 million at current rates) from £150 million (about \$176 million at current rates) in 1983. The bank said it increased its assets for bad loans by 26.1 percent to £169 million (about \$198 million at current rates), reflecting a cautious view of asset quality in all trading areas. It also said it has nearly doubled, to £110 million, its allocation for provisions. Standard Chartered said operations for 1984 reflect excellent performance in South Africa, the commercial banking business in the United Kingdom, and from its Union Bank in California.

British Aerospace 46.3% Rise in Pretax Profit

Reuters
LONDON — British Aerospace PLC reported Tuesday a pretax profit rise of 46.3 percent to £140 million (about \$166 million at current rates) from £95.7 million (about \$112 million at current rates) in 1983. The company said it helped by a weaker pound and higher military sales.

company, one of Europe's makers of planes, space launch and missile systems, rose 7 percent from 1983, to £2.30 billion.

Profit margins on sales rose to 6.7 percent last year, 3 percent, despite competitive conditions and a reduction in military aircraft sales were strong. The loss activities widened to £15.2 million from £14.2 million in 1983, partly said.

Results, which were above analysts' expectations, the company's shares rose a share on the London exchange before settling 385, up 5 pence from Monday.

Government of Prime Minister Margaret Thatcher plans to sell a 10 percent stake in British Aerospace in early May, but will special interest to ensure change is made in privatizing foreign ownership.

But the South African contribution to group results was reduced by a 23-percent depreciation of the rand against the pound.

Hong Kong operations recovered strongly from property-related problems seen in 1983, it said.

Standard Chartered said its Malaysian operations also recorded a satisfactory profit increase.

But Singapore's results were disappointing due to intensely competitive conditions, bad-debt provisions and a temporary loss of around £5 million on the bank's newly completed building there, it said.

In Britain, Treasury and Euro-currency activities advanced again while commercial banking branches recovered well from the disappointing 1983 results.

Standard Chartered shares rose to 469 pence a share from 457 pence on Monday.

Assets Up 10% At Swiss Banks

Reuters
ZURICH — A survey of 71 Swiss banks showed assets growth during 1984 of 10 percent, the largest part to the rise in the dollar, the Swiss National Bank said Tuesday.

In its monthly report, the central bank said the 71 banks surveyed normally represent about three-quarters of all Swiss banking assets. In 1983, the bank said, their balance sheets grew by 7.2 percent. Virtually all of the difference between the two years was due to the rising dollar, it said.

Domestic loans rose by 9.5 percent after 6.5 percent in 1983, due to economic growth and to an accounting change in which deposits and loans to Liechtenstein residents were considered domestic positions for the first time.

Searle, Maker of NutraSweet, Ends Its Search for a Buyer

Los Angeles Times Service

LOS ANGELES — G.D. Searle & Co., maker of the popular NutraSweet sugar substitute, said it has ended its search for a possible buyer of all or part of the company and would remain independent.

The Skokie, Illinois-based pharmaceutical company announced last September that it was exploring a sale at the request of the Searle family, which wanted to diversify its 34-percent stake. Among the companies that expressed interest in Searle were Pfizer Inc., Monsanto Co. and Angus Chemical Co.

Searle said Monday that its board unanimously agreed that the company should remain independent after studying various alternatives, including a number of unidentified proposals to buy the company's business.

Searle stock closed Tuesday at

\$47 per share on the New York Stock Exchange, a drop of \$1.75 from Monday, when it fell \$8.

Michael A. Martorelli, an analyst with Janney Montgomery Scott in Philadelphia, said: "I still think the reason for (a sale) falling apart is that they couldn't get the deal they wanted. They couldn't get the value from NutraSweet that they thought was there."

Donald Rumsfeld, Searle's president and chief executive, said in a statement that the decision was based on "the fundamental confidence we have in the future of the company."

He cited the recent decisions by major soft-drink makers to switch to using NutraSweet in their diet beverages, the start-up of a \$130-million NutraSweet plant and Searle's plans to launch its new Cytotec anti-ulcer drug in Mexico.

Braniff Tries Low-Key, Low-Cost Route to Profits

(Continued from Page 17)

loyalty through "frequent traveler" programs. "There were no other options" but to try a different approach, Mr. Foley recalled recently. "We'd given the concept enough time to see if it would work. We decided to make a change."

So far, the change has been working. Under the old strategy, the load factor, which measures how many available seats are occupied, averaged 42.3 percent from March through October. In contrast, Mr. Ridgeway said, the loads from November through February averaged 64 percent, with a high of 65 percent in February.

At the same time, he added, Braniff has been able to reduce its costs. By May, he predicted, its break-even load factor will be below 60 percent. Now, it is about 65 percent.

A major expense that the airline has shed is the cost of 10 of the 20 planes that were grounded last November and remained parked at Love Field in Dallas, where Braniff has its headquarters.

The company had to continue to make lease payments of \$90,000 a month on each of BRNF Liquidating Trust, which represents the airline's creditors. Braniff also had to spend \$30,000 a month per plane on maintenance.

"With all 10 of them parked out there," Mr. Ridgeway said, "that was \$1.2 million of unproductive costs going out the front door each month."

He said that the carrier returned the planes to BRNF.

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Also, the monthly rental of

\$90,000 on the remaining planes has become a bargain. The price of used Boeing 727s has risen from about \$3 million a plane to more than \$8 million. The rise is mainly ascribed to falling aviation fuel prices, which have made the used planes less costly to operate.

The airline, which has put 10 more planes in service, also has built up its route system and is flying 15 planes to 13 cities, with the other five planes being used for charters. Still, it remains a shadow of its former self. At its height, Braniff International had 70 planes flying to more than 50 domestic locations and an extensive network in Latin America.

Mr. Ridgeway conceded that Braniff faces stiff competition from such powerful rivals as American Airlines, which accounts for 65 percent of the travel at Dallas-Fort Worth. While American has 11 nonstop flights daily from Dallas to New York, and Delta Air Lines has seven, Braniff has limited itself to two.

American tolerates Braniff because it would lose more money by matching Braniff's fares than by letting the smaller airline have a limited fare advantage. Braniff's one-way, unrestricted coach fare from Dallas to La Guardia in New York, for example, is \$135, compared with \$344 for the large carriers.

Large carriers do offer some much lower fares, but with restrictions, such as a 30-day advance purchase requirement. Such restrictions make these fares less attractive to travelers who cannot plan far ahead.

Braniff also is seeking to spread its operations to areas where the competition is less fierce. On April 28, Mr. Ridgeway said, Braniff will put three to five of its planes into Kansas City, Missouri, for flights to Los Angeles, Phoenix, Arizona, Las Vegas, New York's La Guardia Airport and National Airport in Washington.

"It's a more humble approach," said Robert Fornaro, the vice president of marketing for Braniff. "We're not looking to be a large hub-dominating airline."

China Offers Oil Price Help

Reuters
BEIJING — China will take active measures to cooperate with OPEC countries to stabilize oil prices, a Chinese envoy told the Venezuelan Foreign Ministry.

COMPANY NOTES

Burroughs Corp. has extended its A-series of general-purpose mainframe computers to include the A15 very-large-scale system. The A15 allows users to expand processing capacity up to 70 times without changing software.

Cignatelli SPA, the luxury hotel chain, has been sold to the Aga Khan for about 190 billion lire (about \$92 million), according to Italian press reports.

Citicorp will set up a trust bank subsidiary in Japan following Tokyo's decision to let eight non-Japanese banks enter this sector, a spokesman of Citibank N.Y. in Tokyo said.

The bank has been negotiating a cooperation agreement with Yasuda Trust & Banking Co., Des Moines Register & Tribune Co. said it would negotiate with Gannett Co., publisher of USA Today and the largest U.S. newspaper chain, on the sale of The Register's 14-percent stake in Cowles Media Co., publisher of the Minneapolis Star and Tribune.

Enterprise Oil PLC, the former oil production arm of British Gas Corp., posted pretax profit for 1984

of £138.5 million (\$162 million), up from £83.2 million in the last eight months of 1983, on sales of £266.7 million, as compared with £142.5 million.

Exxon Corp., the world's largest oil company, increased its worldwide reserves of oil and gas in 1984 for the third consecutive year, its annual report said. Total production was up 5 percent, principally in the British sector of the North Sea, the Far East and the Gulf of Mexico.

Fleet Holdings PLC said the planned bid for its share capital announced by United Newspapers PLC appears to have no merit, in the absence of any details. Fleet said there had been no discussions between itself and United.

Rediff & Colman PLC posted a near 20-percent increase in pretax profit in 1984 to £106.4 million (\$124 million) from £88.76 million. Sales were £1.12 billion, compared with £981 million in 1983.

Shell U.K. Ltd. made an after-tax profit of £383 million (\$448 million) in 1984, an increase of 15 percent over the previous year. Its

chairman, John Raisman, said the results were pulled down by the company's oil manufacturing and marketing divisions and should have been around £500 million.

Statoll, Norway's government-owned oil company, is to buy Exxon's Swedish petroleum operations, subject to approval by the Swedish government. Terms were not disclosed.

Texasco Inc., ranked third in the U.S. oil industry, had a sharp rise in net proved developed oil and gas reserves as the result of its \$10.1-billion acquisition of Getty Oil Co., according to its annual report.

Thai Airways Co., the state-owned Thai airlines, has been given final approval by the government to buy two new Airbus A310-200s, despite fierce competition from Boeing Co., a government spokesman said. The airline already has five Boeing 737-200s in its fleet.

Toshiba Corp. has signed a contract with China's government-owned Wuhang General Copying machine plant to provide technical assistance for the manufacture of plain paper copiers.

800% PROFITS - FACT OR FANTASY?

Economists who belittle the American dream are oblivious to the North American quest for achievement. In its relentless pursuit of ultimate excellence, the United States has been described as a daring experiment, one generation ahead of everybody else, the last word in modernity, the future that works, the next century. Even the inroads of Japan will not permanently fracture America's vision of fulfillment.


The convulsions of Vietnam set back, but did not negate, America's "rendezvous with destiny". Americans are emerging from the self-incriminating lyrics of the 1960's, students have abandoned the "gospel" according to Bob Dylan, and are studying again, trying to blend materialism with non-dogmatic morality.

We are not advocating a return to "Great Gatsby" class distinctions or the capitalism mocked by Sinclair Lewis, but rather an enlightened fiscalism, combining Yankee thrift with creative entrepreneurship.

In January 1982, our editors, mirroring the new mood in America, wrote: "We are adamant in predicting a massive bull market, repeating our thesis that the DOW NOW 790, WILL TOUCH 1,000, BEFORE HITTING 750, THAT BY 1983, 100,000,000 SHARE TRADING DAYS WILL BE ROUTINE ON THE N.Y.S.E., FOR THE LEAST EXPENSIVE COMMODITIES IN THE WORLD ARE BONA-FIDE U.S.A. EQUITIES, MOST OF WHICH ARE TRADING FAR BELOW REPLACEMENT VALUE OR FUTURE EARNING POWER. DOOMSDAY THINKING IS A HARBINGER OF BETTER TIMES, FOR EVERY BULL MARKET IS SPANNED DURING THE NADIR OF SOUR ECONOMIC NEWS." Our prophecies eventuated. Once again the contrarian triumphed. And now? We believe the DOW will catapult over 1500.

C.G.R.'s current letter reviews four "Big Board" corporations that may be ingested by predators. In addition, we focus upon a low-priced stock with the potential to emulate a recently recommended "special situation" that spiraled 800% before a 4-1 stock split.

For your complimentary copy, please write to or telephone:

 CAPITAL GAINS RESEARCH	F.P.S. Financial Planning Services by Kaiserstrasse 112, 1012 PK Amsterdam, The Netherlands Phone: (020) - 27 51 81 Telex 18536	
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Past performance does not guarantee future results

المؤسسة العربية المصرفية

Arab Banking Corporation

1984 ABC Group Results

Consolidated Balance Sheet
31 December 1984

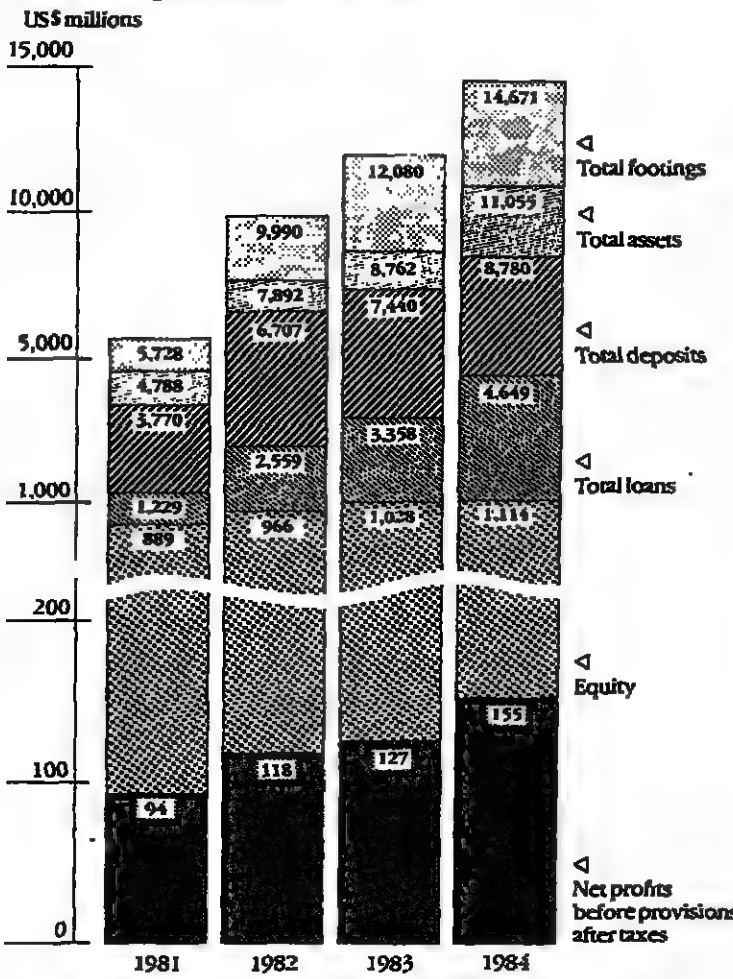
Assets	1984 US\$	1983 US\$
Liquid funds	362	15
Marketable securities	544	420
Deposits with banks and other financial institutions	4,962	4,742
Loans and advances	4,649	3,358
Investments in affiliates	29	24
Other assets	390	187
Premises and equipment	119	16
Total assets	11,055	8,762
Liabilities	1,810	823
Deposits from customers	6,970	6,617
Deposits from banks and other financial institutions	532	-
Certificates of deposit	452	213
Other liabilities	45	45
Proposed dividend	-	-
Total liabilities	9,809	7,698
Capital resources	132	36
Term notes and bonds	-	-
Shareholders' funds	750	750
Share capital	348	266
Reserves	16	12
Retained earnings	1,114	1,028
Total capital resources	1,246	1,064
Total liabilities and capital resources	11,055	8,762

At the Ordinary Shareholders General Meeting held on March 13, 1985, the Shareholders of Arab Banking Corporation (B.S.C.) ratified the audited Financial Statements of the Corporation ending December 31, 1984 and approved the appropriation of net profits as proposed by the Board of Directors as follows:

Net profit for the year	110	107
Retained earnings at beginning of the year	12	16
Profit available for appropriation	122	123
Appropriations	11	11
Statutory reserve	25	25
General reserve	25	30
Extraordinary financial reserve	45	45
Proposed dividend	106	111
Retained earnings at end of the year	16	12

Four Year Growth & Group Subsidiaries

ABC Group Growth 1981-1984



Ratios	1981	1982	1983	1984
Equity to total assets	18.6%	12.2%	11.7%	10.1%
Equity to total deposits	23.6%	14.4%	13.8%	12.7%
Risk assets to total deposits	40.5%	43.5%	50.8%	59.2%
Loans over one year as % of deposits, bonds and shareholders' funds	20.9%	25.9%	29.1%	23.7%
Return on average earnings assets	2.8%	1.8%	1.4%	1.1%
Return on average capital	14.2%	15.3%	14.3%	14.7%

Arab Banking Corporation (B.S.C.)

Head Office: P.O. Box 5698, Manama, Bahrain. Telephone: 23 2235. Telex: 9432 ABCBAHN.
For a copy of the 1984 Annual Report, please contact the Business Development Department at Head Office.

The ABC Group

Arab Banking Corporation (B.S.C.)
(parent company)
Head Office: Bahrain.
Branches: New York, Grand Cayman, London, Milan, Singapore.
Representative Offices: Houston, London, Paris, Rome.

Banco Atlantico S.A.
Head Office: Barcelona.
194 branches throughout Spain,
8 overseas representative offices.
Subsidiaries in Panama and Zurich.

Investment Banking Group
ABC Investment Banking and Services E.C.
Bahrain (under formation)
ABC International Limited - London
ABC Services Limited - London

Arab Banking Corporation -
Daus and Co. GmbH
Frankfurt and Grand Cayman

ABC-Banque Internationale de Monaco
Monte Carlo

ABC Futures and Bullion Pte Limited
Singapore

Affiliates including
Arab Financial Services Company - Bahrain
Arabank International E.C. - Bahrain
Richard Daus and Co. Trust Company
West Germany
The Export Finance Company
United Kingdom



SPORTS

Center Forwards
Front and Center

International Herald Tribune
LONDON — For an extinct center forward, the impact on world soccer is almost as great as the impact on the game itself. The center forward is the wild card in the wild world of soccer, the player who can change the course of a game in a single moment. He is the hero, the goal-scoring machine, the player who can turn a losing team into a winning one. He is the center forward, the player who is the front and center of the attack.

JOE HUGHES

He is the hero, the goal-scoring machine, the player who can turn a losing team into a winning one. He is the center forward, the player who is the front and center of the attack. He is the player who can change the course of a game in a single moment. He is the hero, the goal-scoring machine, the player who can turn a losing team into a winning one. He is the center forward, the player who is the front and center of the attack.

Many good judges thought Eljaer the most effective center forward in last summer's European championship. Yet the Dane went to Italy as an afterthought, for \$1.6 million — a quarter of Maradona's cost to Naples, a third of Rummennigge's to Inter-Milan.

The sheer allure of Maradona and Rummennigge (and lately their scintillating bursts of form) can attract three-quarters of a million dollars at the gate — and while Rummennigge has long led West Germany it is something new for Argentina to gamble on the volatile Maradona as captain for the World Cup qualifiers.

Maradona brought excitement to Barcelona last year. He scored, he was butchery, he fought, often literally, into the headlines. But he never achieved what Archibald has by reliable prodding by a stealth that makes opponents and sometimes the crowd question whether he was there at all. They know at Tottenham, where he is pushing for the English title — but from second place, far from a center forward who scores often than he misses.

"You either have the knack of scoring goals or you don't," observes the Scot. "I have. I'm absolutely at ease with both feet. I'm sharp. I have nerve and I get the ball on target. I also love the challenge of proving myself in a new environment."



An airborne Steve Archibald, ripping a shot for Barcelona in Spanish First Division play.

The best two center forwards in Britain are both Welshmen — Liverpool's Ian Rush and Manchester United's Mark Hughes. Though only 24, Rush has been around for years, and Hughes has burst out of Manchester's reserves to see off the million-pound opposition with his tenacity, his pace, his single-mindedness.

England may also be attempting too much of a good thing. On Tuesday it played the Republic of Ireland with not one but three center forwards — Hately plus new caps Chris Waddle to his left and Gary Liner to his right.

Two of England's substitutes were center forwards — Arsenal's aging leader Paul Mariner and Nottingham Forest's learner Peter Daveport, like Waddle a late-comer to the professional ranks. They might reflect how fickle the role can be. Exactly a year ago

Luther Blissett, then an England forward, was being ridiculed by Milan President Giuseppe Farina, who, disatisfied with Blissett's three goals in 22 games, commented: "The lesson is we shall not buy any more English players."

He did precisely that and basked, for half a season anyway, in the goals from his next million-pound acquisition, Hately.

In England so overburdened? Doubtful. But Uruguay could do with any spare goal power. The South American champion, and among the favorites to win the 1986 World Cup, Uruguay lost a bruising match in Chile this week and finished almost as wounded as the referee, who was twice hit by missiles.

Uruguay must win in Ecuador on Sunday against a no-hoper it scraped past with a last-minute goal at home) or even qualification

is lost. And although much more was expected of the pacy Carlos Aguilera, Uruguayan Coach Omar Borrás must wonder where he went wrong with a squad he has trained in seclusion since January.

Perhaps it is because he sees no center forward, no main man? "My kind of player," Borrás told me, "doesn't need a lot of culture, but he must be intelligent, temperamental, with fighting spirit and mentally alert. And he must not be individualistic, either on the field or off it. Physically, he must be not less than 1-meter-80 with enough kilos to make his weight felt, strong with a hard shot but not necessarily a good dribbler."

That rules out most of the players. Even in a team game, goal-scoring is hungry for personal glory.

VANTAGE POINT/ John Feinstein

1984-85: Season of the Big East

WASHINGTON — Finally, the 1984-85 college basketball season has found a legacy. Since the ball first went up in November, there has been little doubt that — barring injury — Georgetown would repeat as national champion. No team coached by John Thompson and anchored by Patrick Ewing is going to lose its hunger.

But now there will be something else worth remembering about the season. Last weekend a monarch fell in a bloodless but thorough coup. Four times the Big East, the six-year-old pretender, challenged the Atlantic Coast Conference, the king. The pretender won all four.

As a result, three Big East teams — a tournament record — are in the NCAA's final four. Does that mean a new order has been established? No, but it does mean this one will be remembered, correctly, as the season of the Big East.

Coach Rollie Massimino and Villanova took the measure of the ACC not once but twice during the weekend. Friday, they beat Maryland; Sunday, they embarrassed North Carolina. Add Georgetown's victory over Georgia Tech on Saturday and St. John's West Regional victory over North Carolina State Sunday and the figures are complete and convincing. Regular season score: Big East 3, ACC 1. NCAA score: Big East 5, ACC 1.

The beauty of the college game, though, is its constant change. The three Big East teams going to Lexington, Kentucky, this weekend are built around seniors. All three will be good next year but not as good.

The ACC, by contrast, is a league of underclassmen, except at N.C. State. Georgia Tech loses only Yvon Joseph from its superb 27-8 team. North Carolina (27-9) loses no one of note and has had the nation's best recruiting year. Duke (23-8) loses only Danny Meagher. But that's 1985-86. This is the Big East's season to crow. The fourth team in the final four, Memphis State, is almost an afterthought. The Tigers are the product of a Midwest regional that could easily have passed for the national junior-college tournament for all its on-court and coaching discipline.

If there is to be a suspenseful national final on Monday, Villanova must beat Memphis State on Saturday. There is no way Memphis State can beat St. John's, much less Georgetown. The Redmen and Hoyas have at least as much talent and know what the words discipline and defense mean.

Villanova's Wildcats have reached the semifinals with those two words. Their average score in four tournament victories has been 53-48. Massimino controls every move, every possession. Last weekend, when his team shot horribly in both first halves, the scores were close because the games were slow and Villanova's changing zone defenses were good. In the second halves, the Wildcats built leads and then held on with the spread offense Massimino loves to use when there's no shot clock. Villanova will try to do just that against Memphis State; give Massimino a second-half lead and the Tigers will be history.

There are no such obvious notions about St. John's-Georgetown. The Redmen, who crawled out of Madison Square Garden two weeks ago after a battering in the Big East final, seem to have caught a second wind.

But St. John's will be hard-pressed to make its fourth meeting of the season with the Hoyas any different from meetings two and three. Georgetown will not consider its season complete until Thompson and Ewing repeat their victory dance of a year ago.

For St. John's, boarding the plane to Lexington means the season has been a success. It will be motivated, but motivation is different from mission.

Saturday it was again apparent that Georgetown has a mission. That may be Thompson's greatest strength as a coach — his ability to convince his players that for 40 minutes you don't play a game, you go to war. He disdains hearing that his team is violent, but it is more than merely aggressive. Personified by Ewing, therein lies Georgetown's brilliance: Other teams are convinced that Georgetown will refuse defeat.

In the end, the difference is between wanting to win and refusing to lose. There's no reason to believe that will change in Lexington.

Knicks Lose Game, King

Compiled by Our Staff From Dispatches

MILWAUKEE — New York Coach Hymie Brown, who had just lost the services of Bernard King, the National Basketball Association's leading scorer, could not avoid noting the differences between his injury-depleted roster and the vigor of the Milwaukee Bucks.

"The Bucks were overpowering," Brown said after Milwaukee had breezed to a 126-106 victory here

Monday night. "It could have been a larger deficit than it was, but [Buck Coach] Don Nelson played his second-stringers."

King, averaging 32.9 points per game, is lost for the season with a torn ligament (anterior cruciate) and a torn cartilage (lateral meniscus) in his right knee. He twisted the knee late in Saturday night's game at Kansas City; he underwent an arthroscopic examination Monday, but no decision was made on whether surgery will be necessary. "It's no fun at all when your major players are out," said Brown. "I thank Nelson for taking it easy on us."

Elsewhere it was Portland 120, the Los Angeles Clippers 99, and Kansas City 121, Seattle 106.



King: Out for the year.

COREBOARD

Hockey



Manman Curt Giles was strong at both ends of the rink in Monday night's only NHL game. He ably protected Minnesota goalie Don Beaupre (above, Giles dispatching Vancouver forward Jean-Marc Lanthier), and assisted on three goals in the North Stars' 5-3 victory.

National Hockey League Leaders

OVERALL OFFENSE				(Fehr and McManis)	
	G	A	P	Pm	
Edmonton	46	123	130	30	Clifford
Edmonton	46	123	130	30	Stewart
Edmonton	46	123	130	30	Barnesman
Edmonton	46	123	130	30	Pane
Edmonton	46	123	130	30	Edwards (S)
Edmonton	46	123	130	30	Lamelin
Edmonton	46	123	130	30	Edwards
Edmonton	46	123	130	30	Edwards (A)
Edmonton	46	123	130	30	Struder
Edmonton	46	123	130	30	Smith
Edmonton	46	123	130	30	W.N.
Edmonton	46	123	130	30	Edwards
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Edmonton	46	123	130	30	Edwards
Edmonton	46	123	130	30	Ed

NHL Standings

W	L	T	Pts	GP	GA
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4

Basketball

National Basketball Association Leaders

Team	Points	Goals	Assists
Seattle	7,438	104	104
Seattle	7,438	104	104
Seattle	7,438	104	104
Seattle	7,438	104	104
Seattle	7,438	104	104

NBA Standings

W	L	T	Pts	GP	GA
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4

NBA FOCUS

Monday night, "It could have been a larger deficit than it was, but [Buck Coach] Don Nelson played his second-stringers." King, averaging 32.9 points per game, is lost for the season with a torn ligament (anterior cruciate) and a torn cartilage (lateral meniscus) in his right knee. He twisted the knee late in Saturday night's game at Kansas City; he underwent an arthroscopic examination Monday, but no decision was made on whether surgery will be necessary. "It's no fun at all when your major players are out," said Brown. "I thank Nelson for taking it easy on us."

Derby Hopefuls Find Success Elusive

By Steven Crist
New York Times Service

HAIALEAH, Florida — Year in and year out, favorites win about 33 percent of all thoroughbred races and 40 percent of stakes races. So when a son of Secretariat named Preakness won the Bay Shore Stakes at Aqueduct Saturday and favored Spend a Buck finished off the board, an extraordinary streak was extended. The Bay Shore was the 12th graded stakes of the year among 3-year-olds preparing for the May 4 Kentucky Derby, and the 11th in which the favorite was beaten.

A success rate of only 8 percent among favorites accurately reflects the character of this crop of 3-year-olds with the Derby just 39 days off. Although several colts have emerged as the leaders of the division, they seem more likely to encounter further upsets than continued success, and there is plenty of room for more outsiders to join or surpass the leaders.

The 10 remaining graded prep races (and other new graded races) will determine the Derby field and favorites. Saturday's Flamingo at

Prepping for the Triple Crown

Listed below are the 22 graded prep races for this year's spring classics, the May 4 Kentucky Derby, the May 18 Preakness Stakes and the June 8 Belmont Stakes. The most important of these prep races are the seven classified as Grade 1, noted here with an asterisk.

Date	Race	Track	Winner
Jan. 5	Tropical Park Derby	Fort Lauderdale	Irish Sun
Feb. 3	El Camino Real Derby	San Antonio	Tank's Prospect
Feb. 10	Hutchinson	San Antonio	Banner Bob
Feb. 17	San Vicente	San Antonio	The Rogers Four
Feb. 24	Fountain of Youth	San Antonio	Proud Truth
Feb. 24	San Rafael	San Antonio	Smarten Up
March 2	Florida Derby	Gulfstream	Proud Truth
March 9	Swift	Gulfstream	King Babar
March 16	Everglades	Gulfstream	Rhoman Rule
March 23	Tampa Bay Derby	Tampa Bay	Regal Remark
March 30	San Felipe	San Felipe	Image of Greenness
March 30	Bay Shore	Bay Shore	Pancho Villa
March 30	Flamingo	Flamingo	—
March 30	Louisiana Derby	Louisiana	—
March 30	San Antonio Derby	San Antonio	—
March 30	Gothen	Gothen	—
March 30	Wood Memorial	Wood Memorial	—
March 30	Arkansas Derby	Arkansas	—
March 30	California Derby	California	—
March 30	Blue Grass Stakes	Blue Grass	—
March 30	Derby Trial	Derby Trial	—

Transition

er, he knew of the American Association. Returned Bill Hughes, pitcher, and Chico Walker, outfielder, to its minor league complex for reassignment.

World Cup Soccer

WORLD CUP QUALIFYING
Asian Zone Group 3 B
Thailand 2, India 0
Pakistan 2, Indonesia 1, Thailand 1, India 1, Bangladesh 0
China 2, North Korea 1, Thailand 1, India 1, Bangladesh 0

Football

USFL Standings

W	L	T	Pts	GP	GA
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4

Exhibition Baseball

MINNESOTA — Sold the contract of Tim Lincecum, pitcher, to its minor league complex for reassignment.

England: Jolly Good Bury

ANNOUNCEMENTS | AND

ANNOUNCEMENTS



'Amadeus' Wins 8 Oscars: Abraham Named Best Actor

Runners-up to "Amadeus" were "Billings Field," with three Oscars — two were for cinematography, by Christopher YOUNG, and for editing — and "A Bu-

Ngor, 34, who was trained as a physician, and was working as a refugee employment counselor in Los Angeles before being cast in "The Killing Fields," said: "This is unbelievable, but so is my entire life." He thanked his producer, David Puttnam, and director, Roland Joffe, as well as the "casting lady who found me," and concluded: "I thank God, Buddha, that I was born here."

The Oscar for best foreign-language film went to the Swiss-made "Dangerous Moves" produced by Arthur Cohn, about

VISUAL EFFECTS: "Indiana Jones and the Temple of Doom." **JEAN HERSHOLT AWARD:** David Wolper, producer of the opening and closing ceremonies of the 1984 Summer Olympic Games. **SPECIAL ACHIEVEMENT, SOUND EFFECTS EDITING:** Kay Rose, "The River." **GORDON E. SAWYER TECHNICAL AWARD:** Lisawood G. Dunn, special effects cameraman. **HONORARY AWARD:** National Endowment for the Arts.

Movies on Bank Failure Mafia Planned in It

Sullivan and Joyce Hall, found-
the "Hallmark Hall of Fame"
cials, were inducted posthum-
by the Academy of Television
and Sciences.

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